

SUPPLEMENT
TO
WEEKLY REPORTS
OF THE
DEPARTMENT OF TRADE AND COMMERCE

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JULY 1911
REPORT
ON THE TRADE OF
CHINA AND JAPAN

By Mr. RICHARD GRIGG
Commissioner of Commerce

FOREWORD

By Sir. GEORGE E. FOSTER, K.C.M.G., M.P.
Minister of Trade and Commerce



OTTAWA
GOVERNMENT PRINTING BUREAU
1911.

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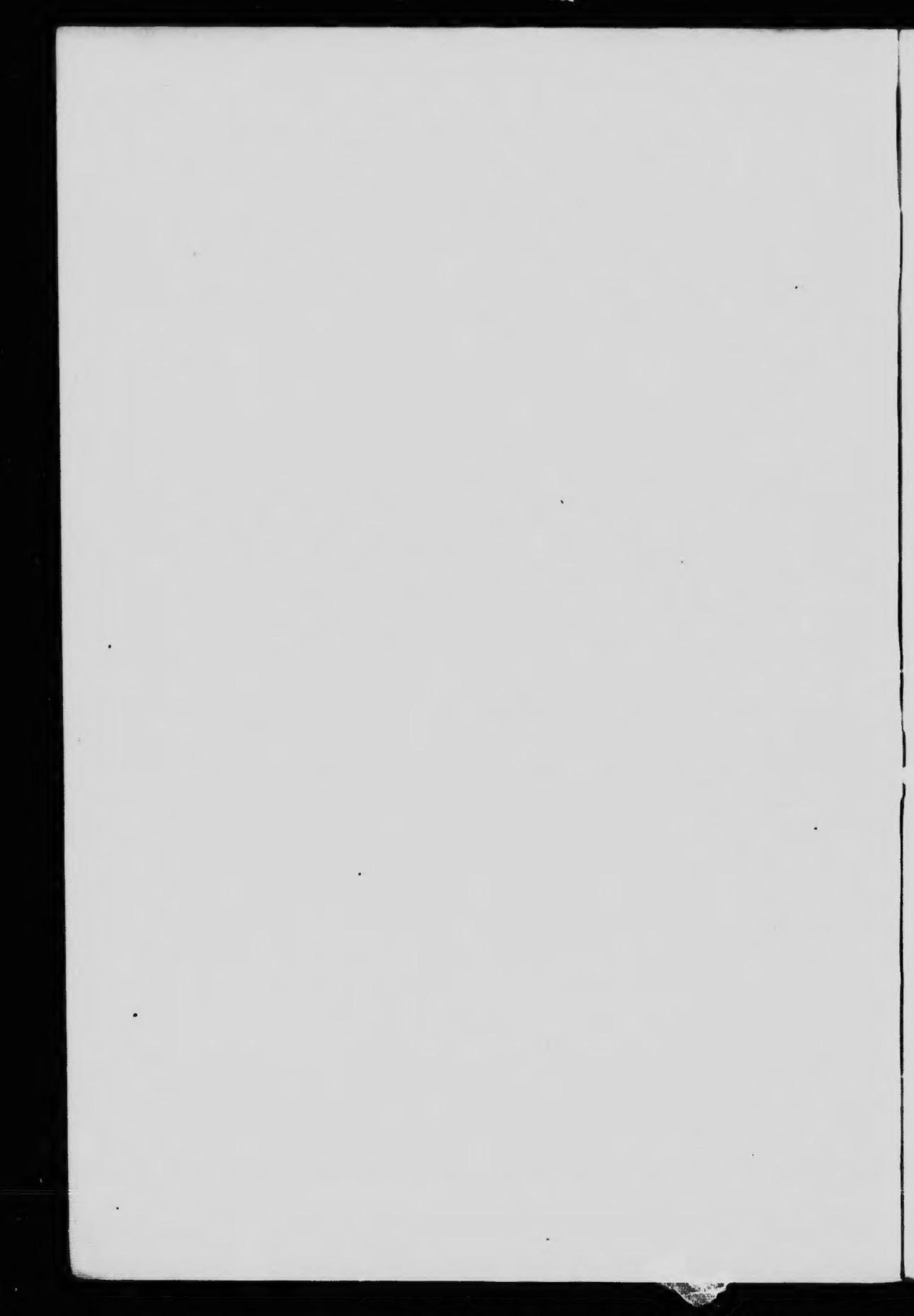
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FOREWORD

We publish this week a special Trade Bulletin with China and Japan as its subject.

In the winter of 1913, I instructed the Commissioner of Commerce, Mr. R. Grigg, to proceed to China and Japan and make such examination, and gather such information as was pertinent in relation to the possibilities of commercial interchange between these countries and Canada. Mr. Grigg spent some weeks in the prosecution of his researches, and the result of his work is partly embodied in the reports published herewith.

A wide circulation is being given to this bulletin among the producers and business men of Canada in the hope that it will interest them in the present and coming possibilities of trade with these two ancient and interesting countries. Upwards of five hundred million people inhabit China and Japan in a vast stretch of island and continent facing our western front door. Between lies a facile ocean now beginning to quiver beneath the swift keels of rapidly increasing mercantile fleets.

The cable, wireless telegraphy, frequent postal service and increasing personal travel are shortening the distance and dispelling the ignorance that have hitherto kept us so wide apart.

Already these nations have a seaborn commerce of one billion dollars and this is constantly increasing. They now import more than \$500,000,000 worth of goods from foreign lands, not more than \$1.00 per head of their population. The immense undeveloped resources of China guarantee a field of wonderful activity in the near future. In coal and iron she possesses very important elements of productivity. Gradually trunk lines of railway are piercing the rich interior and opening up resources hitherto sealed to enterprise for lack of transport. Law and order and financial reconstruction are slowly but surely being established and hindrances to exchange being removed. With better conditions and the immense human labour force of China more and more directed to improved production in all lines the growth in her purchasing power will soon swell the volume of imports far beyond the present parity 75 cents per head of her population. It is difficult to forecast what under fairly favourable conditions will be the importing power of China twenty-five or fifty years hence, and surely Canadian business men must work in reference to a future so little remote.

Japan has within a few decades become absolutely transformed so far as productive industry and commerce are concerned and now boasts a foreign trade of \$470,000,000, which is about equally divided between imports and exports and which is constantly increasing.

Progress in China may not be so rapid, but China from her vast extent and wonderful undeveloped resources will be an incomparably richer field for foreign enterprise and investment, and a far greater relative consumer of foreign commodities. On all grounds, therefore, of enlightened business policy, Canada and Canadians cannot afford to neglect this great and promising field which lies so

advantageously opposite our western gate-ways and which the Panama canal has brought so much nearer our eastern ports.

They must study possibilities, not only from information gleaned for them by the Department of Trade and Commerce, but also on the spot and through clever representatives of their own. Other nations are awakening to these possibilities and we cannot afford to be behind the best in a far-seeing and systematic intelligent pursuit thereof. It is with a view to stimulate and direct thought in these directions that I commend a careful study of Mr. Grigg's report.

GEORGE E. FOSTER,

Minister of Trade and Commerce.

Ottawa, July, 1914.

DEPARTMENT OF TRADE AND COMMERCE,

OTTAWA, June 30, 1914.

Hon. GEO. E. FOSTER, M.P.,
 Minister of Trade and Commerce,
 Ottawa.

Sir.—In accordance with your instructions I proceeded on April 8, 1913, with the duty of inspecting the Commercial Intelligence Service in China, Japan and Europe and also, as far as the time at my disposal permitted, to collect information and report upon the condition and prospects of Canadian trade in the Orient. To that end I consulted the Boards of Trade at Vancouver and Victoria and the leading men of business upon the Canadian Service in the Orient, and at numerous interviews and conferences began to collect information relating to the prospect of Canadian trade in the Far East. A consensus of opinion among persons competent to speak with authority on the subject indicated that the export of wheat, flour and lumber—with the possible addition of fish—would in the immediate future constitute the most important of Canadian interests. In view of the fact that such export has been almost entirely carried on from the United States ports of Seattle, Tacoma, Portland and San Francisco, I proceeded to these cities conferring with the principal exporters there and took ship from San Francisco on April 19, arriving at Yokohama May 5. An interview took place in that city, with the Canadian Trade Commissioner, inspection of his office occurred, subsequently on my way to Hong Kong I called at Kobe, Nagasaki and Shanghai, where I met the gentleman in charge of the office of the Trade Commissioner at that place, inspected the office and proceeded to Hong Kong, arriving on May 16, and I left China on July 5.

It may be convenient to state that the time which it was possible to devote to the double duty involving a study of the Trade Commissioner problem in China and also to a report upon the economic conditions of the country with special regard to the probable development of trade with Canada was limited to a period of seven weeks. The magnitude of the task may be judged from the following facts:—

- 1st. The enormous size of China, its area being nearly double that of the United States.
- 2nd. The comparative absence of railways.
- 3rd. With the single exception of imports and exports, there are no statistics whatever in China.
- 4th. The dialects of the provinces differ so greatly that a native of one province cannot be understood by a native of another, and currency, weights and measures are in a state of hopeless confusion.
- 5th. The country was seething with revolution.
- 6th. The population is estimated at 400,000,000.

In contrast to this condition it may be stated that the British Government considered ten months a reasonable period in the case of the writer's investigation in Canada and Newfoundland (1907) and that, in a country of six and a half million inhabitants, intersected with railways, having a common language, possessing a statistical record of the activities of her people, and a uniform currency. In view of the difference between both the time allotted to the duty and the character of the problem presented, I can only hope to reflect the mature judgment of the European community and of leading Chinese upon the prospects of trade with China, and trust that these facts will be borne in mind in considering this report.

TRADE AND COMMERCE

As the result of conferences in British Columbia, in the States of Washington, Oregon and California, and also in Hong Kong, Canton, Shanghai, Tientsin and Peking, and the perusal of numerous books, reports, and the publications of the Chinese Maritime Customs, I am satisfied that a development of trade in the North Pacific will occur and that Canada will enjoy an important proportion of that trade. Having regard to the problems in course of solution on both shores of the Pacific, under conditions which in effect shorten the distance which separates them by lessening the time taken in traversing it, it would appear that the attention of Canada will be directed in greater measure to the Pacific coast and the problems which so immediately affect her western people. The presence in the Orient of ministers in connection with trade representing the late Administration is still remembered, and the visit of the present Minister of Trade and Commerce was warmly welcomed. The development of China in regard to her understanding of the need for western methods and goods, together with the rapid growth of population and manufacture in Canada demands that intervals should not be too long between the visits of ministers or leading officers of the Canadian Service in order that changing conditions in regard to trade may be duly set forth with some degree of authority for consideration in Canada.

I have the honour to be, sir,
Your obedient servant,

R. GRIGG,
Commissioner of Commerce

CHINA.

EFFECT OF PANAMA CANAL ON WESTERN CANADA.

Although a presentation of the possible effect of the canal on commerce is not in direct line with the prospects of Canadian trade with China, except in regard to competition which may result from its use, yet the subject is one of great interest to western Canada and it is never certain what the exact result of the opening of a new trade route may be as regards development of commerce in any given direction. It is now expected that this year will see the opening of the canal. Advantage was therefore taken of conference with men whose experience and capacity has placed them at the head of great commercial houses conducting the trade of the Pacific slope, and notes were made of the opinions expressed by these gentlemen. They were unanimous only in one particular, viz., that the canal would have a most important and favourable influence upon the trade of the district with which they are associated, though it was impossible for any one of them to forecast exactly how the use of the canal would operate to produce that result. In full confidence, however, of such a result, large sums of money are being spent in preparing Pacific ports for greatly increased trade, and ships are being built with a special view to navigation through the canal.

The factors involved are numerous and complicated but it appears to be certain that if the new waterway brings a large tonnage in shipping to the Pacific ports of the United States and Canada, as it will almost certainly do, that tonnage will be utilized for export cargo, provided always that reasonably competitive conditions are permitted to operate in regard to it. Wheat exporters differ widely as to the effect of carrying a cargo grown in northern latitudes through tropical waters and it is held that the safe export of Australian and Argentine wheat through the tropics is not a complete answer to the question, which can only be given when the first and experimental cargoes undertake the journey through the canal. The importance of a satisfactory answer may be judged from the fact that the distance from Vancouver to Europe via the present route is roughly 15,000 miles, and by the Panama route 9,000 miles. The use of the canal will obviously affect material economy in view of a reduction of 6,000 miles in navigation as compared with the present route round the Horn, or by the Suez canal. If it is found in working out the problem of transportation that steamers after reaching the coast and discharging cargo there desire to proceed to the Orient, then rates of freight may be expected to favour such trade because of increased competition, and this is an essential matter in the Chinese market where the first consideration is price.

Enough has been said to indicate the importance of the subject and some of the difficulties surrounding it. The value of ice-free ports, such as those on the Pacific slope, for shipment of grain is obvious in view of the congestion which occurs prior to the close of navigation on the Great Lakes. Ultimately manufactured goods dealing at first with specialized lines will develop in the west, but this much desired condition cannot be reached until industries are located and immigration provides a population from which operatives may be drawn, and this touches the question as to how far emigrants to British Columbia will avail themselves of an all-sea route in preference to sea and rail. Nothing but experience can settle such a point, but on general lines it is well understood that water transport is so much cheaper than carriage by rail that competition will not be confined to the three Canadian transcontinental lines but that they will have to face competition by water, and although the distance is much greater, it is believed that considerable effect upon the adjustment of freight rates will result.

TRADE AND COMMERCE

The question of coastwise charges in the canal is not settled at the time of writing and therefore is not referred to, but provision for charges other than coastwise has been made at \$1.20 per net registered ton, which is calculated as being equal to about 4 cents per 100 pounds as applied to manufactured goods, but as applied to the great mass of bulk articles, 55 cents per ton weight.

THE TEHUANTEPEC RAILWAY.

A significant fact is found in the development of traffic over two short lines crossing the Isthmus of Panama, known as the Panama and Tehuantepec railway.

In the year 1906, prior to the opening of the Tehuantepec line the total traffic of the Panama railway was, in round figures, \$6,000,000, but the combined business of the Panama and Tehuantepec routes has been as follows:—

1907.....	\$21,000,000
1908.....	42,000,000
1909.....	62,000,000
1910.....	82,000,000
1911.....	99,000,000

For the year ending June, 1913, the total amounted to \$130,000,000, of which \$30,000,000, is attributed to the Panama railway and \$100,000,000, to the Tehuantepec line. These figures are disturbed so far as regards the Panama line by the fact that material for the construction of the canal formed a part of them. From the above table it would appear that we have a foretaste of the vast business likely to be done by the canal and it may also be that the facts demonstrate the possibilities of a check upon canal tolls and that with a full application of modern methods a large volume of certain classes of traffic may pass over the Tehuantepec line. Dr. Emery R. Johnson, Special Commissioner of the United States, has provided a most complete statement of the position in regard to the canal in an elaborate report to which reference should be made. The present writer is indebted for part of the matter used herein to the Pacific coast number of *The Times*, London, December 31, 1913, and refers readers who desire fuller information to that valuable publication.

Exports to China.

The following table shows the principal exports of Canadian commodities to China and Hong Kong, exports to the latter place being included because transhipment to Chinese points takes place there.

PRINCIPAL ARTICLES Exported from Canada to China and Hong Kong. (Years ended March 31.)

Articles.	1911.		1912.		1913.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Breadstuffs—		\$		\$		\$
Oats..... bushel					18,558	10,683
Wheat..... " bbls.	16,648	58,178	1,666	1,500		
Wheat-flour..... " tons.	1,768	6,187	62,076	227,605	65,349	236,163
Coal.....						
Cotton and manufacturers of.....			7,808	6,813		2,040
Drugs, dyes, chemicals, &c.....			6,900	2,643		7,278
Fish—						
Herrings, pickled..... bbls.	58,863	125,272	43,142	119,042	51,442	119,735
Salmon, canned..... lbs.	42,795	2,994	29,472	2,865	109,704	8,621
Other fish.....		1,126		13,718		2,494
Metals, minerals, &c.—						
Gold-bearing quartz, dust, &c. lbs.		800		39,224		300
Machinery—						
Sewing machines..... No.	359	4,974	2,166	22,826	4,344	38,782
Other machinery.....		4,546		2,524		2,310
Lead, pig..... lbs.	560,092	17,833				
Silver, metallic, co'd in ore & c oza.	1,212,022	653,513	921,870	477,612	1,631,014	1,001,976
Steel, manufacturers of.....		10,744		3,596		29,028
Others metals, &c.....		4,292		3,523		5,242
Milk and cream, condensed..... lbs.	607,070	49,366	7,200	510		
Provisions—						
Cheese..... "	9,905	2,117	16,114	2,709	17,646	4,640
Wood—						
Planks and boards..... M ft.	1,663	27,807	145	1,858	9	275
Other lumber.....		11,642		3		
Other wood.....		1,863		324		5,996
All other articles.....		62,676		50,833		54,928
Total exports.....		1,051,711		996,146		1,518,573

CANADIAN EXPORTS SMALL AT PRESENT.

It will be seen that exports are at present small and attention is directed to their probable increase with the ground upon which an opinion is based. By far the largest item is for silver ore which in 1913 represented \$1,001,976 out of \$1,518,573. Wheat-flour gives a satisfactory percentage of increase, although upon small quantities, but it must always be remembered that additional shipments from Canada reach the Orient through Seattle. Wood pulp is in considerable demand, although the only shipment so far was in 1913 to China, 3,312 cwts., with a value of \$4,294. It will be seen that a small shipment of lumber occurred in 1911 and a still smaller shipment in 1912, the reason given in China being that the price of Canadian lumber is higher than that of American. Shipments of fish are not considerable. This is due to the fact that although the market is unlimited the price is higher than buyers can pay having regard to competition with Chinese and Japanese fish.

The average price for dry salted herring from British Columbia, both to China and Japan, is about \$25 per ton (gold) more or less according to the state of the market. Persons who have entered the business in British Columbia have lost money on their transactions, the margin of profit being extremely small. The same condition of affairs exists regarding the shipment of salted salmon. The fish are of the cheaper variety and are dried, salted and shipped in wooden boxes containing about 56 fish to the box, four boxes going to the short ton. Last year a considerable sale of this fish occurred at the net price of 8 cents per fish f.o.b. Vancouver, which would work out at about \$20 per ton. This is not encouraging and instances are quoted

where the Japanese, who chiefly handle the trade, have lost money. Dry salted salmon is put up in large quantities in the sea of Okhotsk and in Northern Siberia as well as on Saghalien Island.

The prospect of selling cheap salmon in China and Japan does not appear to be encouraging. Several canneries are being operated in the northern part of Japan and on Saghalien Island. There are also three canneries near the mouth of the Kamtchatka river. The fish chiefly put up there are of the kind known as cohoes, humpbacks and springs and a small quantity of sockeye salmon. Over 100,000 cases of this Siberian fish were lately sold in Liverpool and London and it is also being introduced in Australia. Singapore is sometimes a market for cheap canned salmon but if the price is over \$2 or \$2.25 per case there is no demand and it is reported that no salmon can at present be sold in British Columbia with a profit at this price.

No coal was shipped last year owing to the strike on Vancouver Island.

The Flour Market.

In considering the position with regard to the export of Canadian flour from the Pacific coast an important factor is found both in the production by flour mills so situated as to be able to send their lower grade of flour westward and also in the facilities of railway transportation to shipping ports on the Pacific. Inquiry at Winnipeg indicated that the important mills situated in Manitoba would prefer to send their cheaper grade of flour eastward for shipment, more particularly during the summer months when lake and rail transportation to ocean shipping points is available. It does not appear therefore necessary to deal with the production of this province in an estimate of the quantity which will be available, but a certain proportion of the product of mills in the provinces of Saskatchewan, Alberta and British Columbia may be expected to desire a market in the Orient.

Owing to the low purchasing power of the Chinese consumer the market will take only inferior grades of flour and this is perhaps fortunate because Canada will have nothing but the best and while there is a local market for high grades it is hardly possible to sell the lower grades except for export, and the quantity of these produced varies in accordance with the character of the yearly wheat crop.

PRODUCTION OF WESTERN PROVINCES.

According to a list taken from a source of considerable authority for the year 1912, although not alleged to be complete or free from errors, the number of mills situated in the three western provinces is 82 and their capacity as follows:—

Saskatchewan, 7,420 barrels per day; Alberta, 7,345 barrels, and British Columbia, 1,180 barrels; a total of 15,945 barrels. Many of these are small mills producing 50 to 200 barrels, and the above figures include mills in course of construction at the time when the list was made.

A certain proportion of the above product would be affected by stoppages and a further proportion would be consumed by the limited population of the three provinces. That population, according to the census of the year 1911, amounted to 1,259,575 persons. It is estimated that the third and fourth qualities of flour constitute in first-class modern mills between 10 per cent and 30 per cent of the production, and upon the above basis a rough reckoning would indicate that about 5,000 barrels per day would be available for export. These figures must be regarded as approximate only, and they vary greatly depending upon the character of the crops, but it will be seen from tables herewith that they do not equal the average present export from the United States to the Orient and in view of statements to follow, the figures appear to justify an increase of milling capacity in the Canadian West and to encourage the belief that Canada may with confidence look forward to an important increase in her trade with the Orient.

The objection to loading a report with tabulated figures is realized, but in order to show both the progress of the trade and its fluctuations it is thought necessary to produce the record of shipments from the United States over twenty-one years and to give values which appear in the following table:—

EXPORTS OF WHEAT-FLOUR FROM UNITED STATES TO CHINA AND HONG KONG.

(*Taken from United States figures.*)

Years ended June 30.	To China.	To Hong Kong.	Total China and Hong Kong.	Total Value. \$
	Bbls.	Bbls.	Bbls.	
1893.	16,069	550,132	566,191	2,126,270
1894.	23,717	583,668	607,385	1,896,661
1895.	36,244	737,318	773,562	2,199,046
1896.	13,879	825,613	839,491	2,388,234
1897.	18,270	922,312	944,412	3,334,341
1898.	19,609	939,053	958,663	3,925,032
1899.	28,526	1,221,314	1,326,514	4,135,540
1900.	102,436	1,410,534	1,512,970	4,502,081
1901.	63,958	1,322,527	1,513,884	4,059,785
1902.	99,624	1,398,893	1,610,146	4,456,945
1903.	92,388	1,402,430	1,692,067	4,917,861
1904.	80,704	1,272,115	1,557,169	5,115,200
1905.	80,640	1,007,761	1,317,348	4,278,989
1906.	154,221	926,180	1,460,194	3,925,701
1907.	1,784,552	1,082,626	2,867,178	10,070,124
1908.	523,097	979,296	1,602,393	5,886,102
1909.	66,773	892,151	958,924	3,784,115
1910.	21,243	668,692	680,935	2,883,813
1911.	292,738	1,008,529	1,296,267	5,035,287
1912.	41,192	1,491,073	2,232,265	8,736,585
1913.	127,814	1,301,306	1,429,120	5,620,324

A STEADY INCREASE.

It will be seen from the above table that a steady increase in export occurred from 1893 to 1907, and it may be pointed out that the latter year provided the largest recorded export, although a considerable drop occurred in the three succeeding years. The years 1905 and 1906 show short shipments which are probably due to the fact of the Chinese boycott of American goods as a protest against the provisions of the Exclusion Act. For a considerable time breadstuff from the Pacific coast was tabooed in the Middle Kingdom. President Roosevelt's Message to Congress and the Return of the American Boxer Indemnity, conciliated Chinese feeling and doubtless accounts for the large import in the year 1907. Pronounced trade depression, together with a satisfactory rice crop occurred in 1909 and 1910, and the Hong Kong Telegraph of December 31, 1909, refers to the serious falling off in the importation of American flour into Hong Kong. In subsequent years the exports recovered and reached normal level. Considerable stocks were held in Hong Kong with commitments forward for January and February of 1912. A wet season interfered with Chinese milling, and late in 1911 mills were at a standstill for want of good raw material. In 1913 Hong Kong trade reviews referred to the first importations from Canada. In that year, however, disturbances owing to revolution stopped trade for two months, and even though flour was needed in China it was impossible to ship taking the risk of the flour being looted.

An objection to tables providing figures for each year in cases where they are intended to be used for comparative purposes, is found in the fact that fluctuations due to crop conditions, over-stocking, etc., frequently affect the value of the compar-

ison. It is therefore thought better, where possible, to present such figures in three year averages, and this is accordingly done in the following table:—

AVERAGE EXPORTS OF FLOUR from United States to China and Hong Kong (in three year periods).

1893 to 1895, inclusive.....	619,026 bbls.
1895 to 1898, "	930,855 "
1899 to 1901, "	1,451,112 "
1902 to 1904, "	1,646,460 "
1903 to 1907, "	1,391,753 "
1908 to 1910, "	1,050,417 "
1911 to 1913, "	1,052,550 "

The above table indicates a satisfactory growth of trade except only in the period following 1907, when both an overstocked market and disturbed conditions brought about a reduction in export, which again reached the normal during the following three year period.

The exports of flour from Canada to China and Hong Kong for four years are as follows:—

—	1910.	1911.	1912.	1913.
Flour.....Bbls.	25,315	16,648	62,076	63,549

It must be borne in mind that the above figures although covering direct exports from Canada do not cover Canadian exports via Seattle, which are believed to be considerable and for which United States figures obtain the credit. These returns are all taken as at port of shipment.

The Canadian Pacific Railway at present provides the only transportation link between the plains and the Pacific coast and traffic passes over a single line with heavy grades, but this condition will shortly undergo a radical change. Not only are two great lines—the Grand Trunk Pacific and the Canadian Northern—on the point of completion and designed to provide additional transport facilities between the Pacific and the plains, but the Canadian Pacific Railway, with the foresight and enterprise which characterize its policy, is now spending large sums both in the completion of an alternative route via the Crows Nest Pass by doubling its main line, and by the construction of an important tunnel which will greatly improve its grades, and it is probably not too much to say that the total transportation capacity will shortly be increased to three times its present amount.

AMERICAN FLOUR EXPORT TRADE MOVING NORTH.

Conference with established houses in San Francisco brought out the fact that such firms are turning their faces to the north and arranging for representation by branch houses at Vancouver. The reason of this is not far to seek for it is apparent that the export trade is moving northward. It has left California and is now largely centred in the ports of Tacoma, Portland and Seattle, but the causes which operated in moving trade northward from San Francisco are operating in moving trade still further north. Twenty years ago the export of wheat and flour to China was almost confined to San Francisco, but an important change in the economic character of the State of California has arisen from a variety of causes. Among them may be stated the creation of a home market due to a large influx of population, partly as the result of foreign immigration and partly arising from residents in the eastern and northern States who seek the milder Californian climate. A change may also be noted in the

character of the produce of California. Land which formerly grew wheat is now producing fruit—a more profitable crop—and the net result is that California has been converted in the matter of wheat and flour from an exporting State to an importing State, and the business of San Francisco in this respect is a thing of the past. The States of Washington and Oregon have taken up the trade which California has abandoned, but the same factors which operated in the case of California are operating in the case of the two northern States and an increasing quantity of the Canadian product is already being shipped at Seattle. The probabilities, therefore, point to Vancouver and Prince Rupert as succeeding to the export business at present enjoyed by Seattle and Portland exactly as those cities succeeded to the export business of California, and for the same reason.

PREFER CANADIAN PRODUCT.

An interesting point is found in the fact that the American flour which was formerly exported from San Francisco was of excellent colour but not so strong as flour ground from Canadian hard wheat. The Chinese, seeing no other and pleased with the colour, remained contented with American flour until they began to receive Canadian through Seattle. When they complained of the slightly darker colour their attention was drawn to the larger percentage of gluten. For a time their conservative habit and the high value they attach to a "chop" (trade-mark) caused them to prefer the American flour to which they had been accustomed, but they are gradually changing in this respect and now say that if they have to choose between strength and colour they will abandon colour and prefer strength.

The following table from a Canadian source gives an analysis of Canadian and Washington wheat, together with approximate values f.o.b. Vancouver and Seattle:—

ANALYSIS OF CANADIAN AND UNITED STATES WHEAT.

Wheat.	Absorption.	Wet Gluten.	Dry Gluten.	Value (Approximate).
Canadian.				
No. 1 Northern.....	65%	42%	14%	8cts. bush. f. o. b. Vancouver.
" 2 "	65%	41%	13 7/8%	82cts. " "
" 3 "	65%	40%	13.3%	80cts. " "
" 4 "	65%	40%	13.3%	76cts. " "
Washington.				
Blue Stem.....	56%	35%	11%	88cts. bush. f. o. b. Seattle.
Club	58%	33%	11%	91cts. " "
Forty Fold	51%	23%	8%	82cts. " "
Walla Walla.....	54%	21%	7%	81cts. " "

The Walla Walla variety is reported to be chiefly milled for export to Oriental markets and the flour from the Blue Stem is mainly consumed in the home market. It is asserted by hard wheat men that Canadian flour will make ten loaves per barrel more than the highest tested flour produced from Washington wheat.

An unexpected confirmation of the superior quality of hard wheat flour has lately been supplied by a fact that has occasioned surprise among both the United States and Canadian millers.

Prior to October, 1913, the United States duty on Canadian flour was 25 per cent ad valorem, equal at the then price of flour to about \$1.20 per barrel, but in that month the United States tariff was reduced to a flat rate of 45 cents per barrel, whereupon buyers of flour in the western States began to order the Canadian product, and the trade which has resulted both in car lots and by ship from Vancouver is increasing and shows signs of permanence.

USE OF FLOUR INCREASING.

That the habit of using flour is increasing among the Chinese admits of no doubt. In the wonderful congestion and activity in the streets of their cities streams of customers may be seen visiting the numerous shops and restaurants for the purpose of buying inexpensive dumplings and cakes made with flour. This is not entirely new, but the demand for flour for such purposes has hitherto been met by the product of the small native roller mills worked by donkeys and producing a coarse and inferior flour, and the presence of a better quality has greatly stimulated consumption.

In support of the statement that the Chinese are forming the habit of using flour, it may be said that in the year 1912 in Manchuria the crops of all cereals were not good and in consequence the imports of flour via Darien reached 45,000 tons; but during the year 1913 the import was 53,000 tons, being part of a total imported in Manchuria of 520,000 tons. The apparent conclusion to be drawn from the above is that the habit of using flour compelled by a year of poor crops continued during a normal yield, displacing to some extent the diet of millet which had formerly prevailed, and the Chinese did not revert to their former diet.

HONG KONG THE DISTRIBUTING CENTRE.

The principal distribution point in the Orient is found at Hong Kong, a beautiful British city of 450,000 inhabitants, governed as a Crown colony, enjoying a great carrying trade and with a surprising list of shipping lines of all nationalities trading to and from all parts of the world and reaching the interior of China by means of her great waterways. An important portion of the business of Hong Kong is found in transhipment of goods destined more particularly for India, Ceylon, the Straits Settlements, Siam, French Indo-China, Malaysia and the Philippines.

The administrative reports addressed to His Excellency the Governor of Hong Kong are interesting and comprehensive, but evince a singular lack of information regarding trade except only in the matter of shipping. The dimensions of the trade may be judged, however, from the fact that in the year 1911, 543,570 vessels of 20,179,153 tons entered and cleared at the port, equal to over 10,000 ships each week. Of these, ocean-going ships represented 18 per cent, river steamers 18.4 per cent, steamers not exceeding 60 tons, 7.2 per cent, and trading junks, 56.4 per cent, but the movements of fishing junks are not included in these figures.

DEMAND AFFECTED BY RICE CROPS.

The following extract from a report by the Colonial Secretary, headed "Trade and Shipping," and dealing with flour and rice, may be of interest. As Hong Kong is a free port no customs houses are maintained, and no accurate figures of exports and imports are therefore available. A great deal of the flour arriving in large liners is distributed all over the Orient after discharge into the holds of smaller vessels:—

1911. "Flour—Our returns show a great increase of 49,679 tons or 153.8 per cent, due to the poor rice and wheat crops in China throughout the year. Districts, which were supplied last year from the abundant crops of China, have this year been compelled to fall back on the American product. The price of rice has also enhanced the demand for American flour, this being used as a substitute for rice and rice-flour. The prices of rice throughout the year have practically stood at about 40 per cent over normal prices, and possibly the high prices of flour in Australia have to some extent inflated our imports of flour here, inasmuch as such high prices have curtailed that country's shipments to ports south of Hong Kong which are large consumers (Java, Straits, Burmah, &c.), and the southern ports have come to us for their supplies. Hong Kong is the distributing centre of American flour for those ports."

"Rice—Here our returns show a falling off of 152,224 tons or 26.6 per cent. The failure of the southern crops is general, as evidenced by the high prices which have ruled on the markets for the last half year, and has, of course, been the reason of the decline."

While it is apparent from the figures produced that a great increase has occurred in the export of flour to the Orient, it will also be observed that wide fluctuations in export have happened, depending largely upon the character of the rice crop which in China constitutes the staple food of the people. The question remains whether there are indications of a change in the habits of the Chinese leading to a large consumption of wheat flour. It must be remembered that the principal industry of China is agriculture and that the vast mass of her enormous population is engaged in that occupation. These people largely consume the food stuff produced by their farms and are not likely for a long time to change their diet, and in view of the fact that transport to points distant from waterways is mainly either by mule, or wheelbarrows or on men's backs, it will be seen that until railways are built in China the limits of transportation are quickly reached.

A change, however, in the dietary habits of the population found in the coast cities and at points accessible by river transport, which constitutes a mere fringe of the great mass of Chinese, would be quite sufficient to tax the resources of western Canadian production. The present—and it is to be hoped temporary—condition of the Chinese government is a great discouragement to trade, for stable government is essential to its progress.

PURCHASES THROUGH COMPRADORES.

Attached to the great merchant houses in China are officers known as compradores. These men are Chinese of high character and often of large means who are intimately acquainted with the methods of their countrymen and admirably equipped for the duty of dealing with them. Producers and exporters of flour are represented by agents residing in the Orient, and this is made necessary by the fact that the class known as brokers in other countries and who might import flour for distribution are not found in China, and the societies or guilds so common in that country buy flour on behalf of their members. Such purchases are usually considerable in amount, and therefore, do not occur very frequently.

When the time arrives for a purchase, an officer of the guild communicates with the compradore, who deals directly with an agent of the western miller. Payment is guaranteed by the compradore and the flour is consigned to him with bills of lading attached. These men are treated with the utmost confidence, and it is said that a case has never been known where a compradore has in any way failed in the payment of his draft. Such men have great influence and business must be transacted with them. It would probably not be possible to carry on an export business in any other way as the practice has been of long standing and has proved highly satisfactory. A certain number of Chinese buyers appear to operate outside the guilds, but the greater part of the business is done as described, the consumer relying upon his society for the purchase and the society negotiating with the compradore.

WHEAT PRODUCTION IN MANCHURIA.

The *Northwestern Miller* of May 4, 1910, produces a well written article upon wheat production in Manchuria. The general view taken is that large quantities of wheat will be produced in that province notwithstanding the increasing production of soya beans, and it is suggested that the British and Chinese steam mills at Shanghai and the Japanese, Russian and Chinese mills in Manchuria will capture the flour trade of the Far East as soon as they perfect the technique of their business. The article proceeds:—

“Flour manufactured by the Japanese at Tieiling with American milling machinery and corresponding in grade to Second Patent is selling in Mukden this winter for \$3.93 gold per barrel of 196 pounds, and Russian flour from the Harbin mills of similar quality is selling for \$4.08 gold per barrel. Against these prices, American mills cannot compete in these days of dollar wheat.”

The following table, taken from the article referred to, is produced, as giving a rough idea of the wheat ground by modern and native mills in Manchuria.

ANNUAL WHEAT AND FLOUR TRADE OF MANCHURIA, 1900.

Trade Centers and Trade Routes.	Wheat ground by steam mills.	Wheat ground by native mills.	Foreign flour imported.	Native flour imported.	Native flour exported.
Harbin District (Russian).....	Bush. 3,000,000	Bush.	Bbls.	Bbls.	Bbls.
Ninguta (Chinese).....	893,200	.....	.....	.....	.....
Kirin (Chinese).....	9,000	.....	.....	.....	.....
Tie-ling (Japan in Manchuria).....	291,866	70,000	.....	.....	.....
Tie-ling (Chinese).....	.....	.....	.....	.....	.....
Manchuria to Siberia.....	.....	.....	22,651	207,381	201,323
All Customs ports.....	.....	.....	.....	.....	.....
Totals	4,793,866	130,270	22,651	207,381	201,323

NOTE.—The statistics for "bushels wheat ground by native mills" represent only the amounts of wheat ground by the largest mills in two distinct milling centres. Thousands of small stone mills exist in the villages and on the farms that grind wheat, corn and millet for local consumption, and concerning which no statistics are available.

The above estimate was made not more than four years ago, and in view of it attention is drawn to the export table on page 11. Doubtless the above arguments have weight in regard to the supply of flour in northern China, but it is not in Manchuria or its immediate neighbourhood that a market may be hoped for. The following table covering the years 1900 to 1912, inclusive, and giving Chinese import figures together with sources from which supplies are drawn is a useful indication of the present position. Quantities are given in barrels for purposes of comparison.

BARRELS OF FLOUR IMPORTED INTO CHINA.

(From Chinese Returns.)

Countries.	Years ended December 31.			
	1909.	1910.	1911.	1912.
	Bbls.	Bbls.	Bbls.	Bbls.
From Hong Kong.....	356,211	394,315	827,467	1,073,396
Macao	6,192	8,194	8,595	11,812
Russia	21,842	49,539	10,824	20,241
Corea	276	1,834	11,112	2,388
Japan	15,062	36,212	213,292	484,724
Canada .....	.....	786	1,911	5,949
United States.....	27,075	9,046	309,330	579,203
Australia, New Zealand, &c.	1,718	4,175	11,701	11,480
Other countries.....	2,377	871	2,981	3,402
Total	431,943	505,272	1,487,214	2,201,506

FLOUR IMPORTS FROM JAPAN.

The most interesting figures in the above table are those relating to Japan, where a greatly enlarged export to China has occurred. It will be seen that the export for 1912 represents an increase of 127 per cent in value upon the previous year. It does not appear probable that this rate of increase can be maintained in view of the increasing consumption of flour in Japan, and the difficulty in obtaining the capital

necessary in order to build mills, and it should be remembered that enlarged milling capacity in Japan would lead to a greater demand for wheat which Canada may be expected to supply.

It may be said in regard to properly equipped mills in China that the balance sheet of the China Flour Mill Company, Limited, Shanghai, for the year 1912, shows a debit balance of 53,405 taels brought forward and

"The directors greatly regret the disappointing result of last year's working, which shows a net loss of taels, 42,382."

In the case of a large mill built a few years ago at Hong Kong, the loss alleged partly to be due to the impossibility of disposing of offal became so serious that the mill was closed, the machinery removed, and the building devoted to other purposes. The writer visited a large mill at Harbin, Manchuria, where complaints were made of the impossibility of obtaining wheat from local sources. A cargo of wheat had been obtained from Australia and inquiry was in the market for a cargo of Canadian wheat.

CHINESE MILLING.

The following is an extract from an interview in Shanghai with an authority upon Chinese milling:—

"Village mills grind in the most primitive way. There are seven modern mills in Shanghai, two at Woosieh on the Grand Canal, one at Chingkiang, one at Wuhu, and three at Hankow. The capacity of the China flour mill referred to is 2,000 bags of 50 pounds for twenty-four hours. The capacity of all modern mills in Shanghai is about 20,000 bags of 50 pounds each per day. There are no figures as to native production and it is now very small in Shanghai itself although impossible to estimate in villages. Importation of foreign flour began thirty years ago and came from California to Canton. It was appreciated for colour and was used for sweetmeats and not for breadmaking. Later on a stronger flour was required for Chinese cakes or dumplings and less stress was laid on colour. The flour from northern wheat, Seattle and Tacoma, being stronger but darker, found favour. A development of flour consumption is to be expected in China."

PRIMITIVE BUT SKILFUL FARMING METHODS.

In China, as elsewhere, important fluctuations occur in the products of the soil, and although this is probably less the case than in other parts of the world, owing to the method of agriculture adopted and the amazing industry of her people, yet floods lead to great loss of both life and crops in the fertile valleys of the great Chinese rivers. Although it is said that very large areas in China have gone out of cultivation owing partly to brigandage and partly to the destruction of forests, yet it must be conceded that the Chinese method of farming takes a maximum of produce from the land, and yet maintains its productive capacity. A system of irrigation is universal where it is possible to raise water, and this is commonly effected by irrigation pumps driven by foot or hand-power. The area cultivated by an average farmer would probably not exceed two or three acres of irrigated land.

A process which is essential to Chinese production is the method of treating the soil; for centuries human waste has been devoted to maintaining the fertility of the land and to the production of food. At Shanghai there are no main sewers, although provision is made for the discharge of storm water, but the Chinese compete for the privilege of removing night soil, and the city lately received a sum of \$62,000 in one year in this respect. Enormous quantities of silt come down the great rivers and this is dredged in a primitive way and mixed with fertilizing material, forming a compost which is skilfully treated and used for plant food. A remarkable book, "Farmers of Forty Centuries," by Prof. King,* gives a series of photographs and a mass of information regarding farming in China and Much intelligence

* Published by the Democratic Printing Co., Madison, Wis.
63058-3

and the highest skill is exhibited by these old-world farmers in the use of waste, such manure is almost entirely applied in the growth of rice and vegetables in liquid form.

Fields in Southern China which had produced two crops of rice during the summer bear a third crop of some suitable vegetable in the same year. To effect this result infinite labour is required and constant application of liquid manure formed by a dilution of nightsoil; and it must be remembered that much of the soil has been cultivated for 3,000 years or more without the use of mineral fertilizers. Labour employed receives from 5c. to 15c. (gold) per day. The implements used are light and appear clumsy to western eyes, but respect for the implement is learned when the results are seen. A wooden plough with steel point and mould board and with one handle costs \$2.15 (gold), and the farmer carries it on his back to and from his village a mile or two away, night and morning. A farmer with 2½ acres of land maintains a family consisting of twelve persons together with his team, consisting of a cow and a small donkey, besides feeding two pigs. Here is a maintenance capacity equal to 192 people, 16 donkeys and 32 pigs on a 40 acre farm. In Southern China, 1½ of an acre of good land is considered sufficient for the support of one person, and a man working ten acres is considered a large farmer. It would seem from the above that the maximum of rice production has been reached both in China and Japan, and this matter interests Canadians because the alternative food will probably be wheat flour, a product for which Canada desires as wide a range of markets as possible.

In the Chinese cities visited a consensus of opinion was that the consumption of flour in China was not only increasing but is destined to still further and greater increase, but the gentlemen who expressed this opinion were not so much concerned as to where the wheat would come from as the fact that it would be needed, and it is essential that all points of view affecting the question should be set forth. Of all countries in the world, China probably takes front rank in the risk of attending any forecast, and this report is written with a full realization of that fact.

SUPPLIES FROM MANCHURIA.

For many years past it has been freely alleged that Manchuria will grow such quantities of wheat that even though the Chinese alternate their rice diet with flour to an extent which will greatly increase the demand for the latter, yet the import of American flour will diminish because of supplies from Manchuria. This point of view has been accepted by Sir Alexander Hosie, who is an authority upon the subject, having travelled extensively and written on both Manchuria* and the Northern Provinces of China. In a letter addressed to the writer, dated September 29, 1913, he says:—

"It has been estimated that Manchuria annually produces 10,000,000 bushels of wheat and that it is capable of producing 300,000,000 bushels. This might be so if Manchuria produced nothing else; but large areas are devoted to millet, which is the staple food of the people, to the soya bean with an ever-increasing export to foreign countries, and in the south to maize. Whatever the present production of wheat in Manchuria may be, there can be no doubt that it has already seriously curtailed the import into China of flour from the United States of America, and, presumably, from Canada, and any increase in cultivation (and it is increasing) will lead to a further diminution in that import. Moreover, in a very short time Manchuria will not be the only part of China to be considered. In 1910 I travelled through the northern provinces of Shansi, Shensi and Kansu with their fertile loess soil, the greater part of which was under wheat, where flour could be bought for 13 cash a catty of 73 pounds, or for 2 shillings (50 cents). Farmers there told me that wheat as a crop did not pay them; but when the railway from Honan Fu through Shensi to Lan-chou Fu in Kansu, now being constructed by Belgians, is completed, wheat will pour into the other provinces of China and will probably swamp the import of foreign flour altogether."

*Manchuria, Its People, Resources and Recent History. Methuen & Co., London, 1911.

CULTIVATION OF SOYA BEANS.

The estimate that a present production of 10,000,000 bushels of wheat may be converted into 300,000,000 has been repeated until it is almost accepted as an article of faith. But something of the same sort has been said for the last twenty years, and reference to the table of flour exports to China appears to indicate that realization is as far off as ever. A partial explanation of this condition may perhaps be found in the remarkable expansion of the production and export from Manchuria of the soya bean.

A monograph by the Chinese Maritime Customs, dated 1911, gives an interesting statement of the uses to which this bean is put. In the East it is used as food and as a fertilizer; the oil from it is used as an illuminant, a substitute for lard in cooking, for greasing parts of machinery and for making waterproof cloth, paper, umbrellas and lanterns, and beancake is used for feeding stock. In the Western world many uses are found both for the oil and beancake, among them blending with wheat flour and meal, fodder for cattle, more especially cows, and it is very largely used in soap manufacture. Among other uses are the manufacture of toilet powders, paint oils, lubricant and lighting oils. The bean trade was an ancient and flourishing industry in Manchuria. For centuries beancake was used in sub-tropical regions as a fertilizer. In 1864 the export of beans from Newchwang and Swatow had arisen to important figures and the increase steadily continued, until in November, 1908, the first considerable trial shipment was made to England. Oil mills began using the bean to the exclusion of cotton seed, linseed, etc., and the demand increased to such an extent that for the season 1909-10 fifty steamers were chartered to load beans at Darien and Vladivostock, 300,000 tons worth £2,000,000 sterling being contracted for in December alone.

The increase in the production of the soya bean in China has been phenomenal, as the following table of export shows:—

TOTAL EXPORT (INCLUDING RE-IMPORT) OF SOYA BEANS AND PRODUCTS THEREOF FROM CHINA.

Picul = 133½ pounds.

Year.	Quantities.	Average for three years Piculs.	Value		
			Haikwan Taels.	\$	cts.
1904.....	8,535,840		11,576,602	7,660,557	33
1905.....	5,995,416	5,176,934	16,757,584	12,233,036	32
1906.....	5,999,545		15,268,607	12,214,885	60
1907.....	6,008,704		16,796,515	13,269,246	85
1908.....	13,237,006	14,843,102.3	28,992,641	18,845,216	65
1909.....	25,313,507		58,322,014	36,742,868	82
1910.....	18,890,314		41,901,494	27,054,956	04
1911.....	22,183,008	20,035,166.3	54,023,894	35,115,531	10
1912.....	19,026,177		45,155,559	33,515,113	66

N.B. The value of Haikwan Tael is subject to wide fluctuation, and varies in the above table from 63c to 80c, and figures for respective years are those furnished by the Maritime Customs, based on average of each year.

It has been thought convenient to show in the second column of the table, for comparative purposes, the average quantities in three year periods, and it will be seen that a certain amount of fluctuation occurred for various reasons in the annual production, yet the percentage of increase in the period 1910-1912, over 1904-1906, has been 287 per cent. Although the most rapid progress was attained in the years 1906-1909, reaching the maximum in the latter year, a steady development is shown, and even on the large figures referred to an advance of 34 per cent is reached.

There are no figures showing production or consumption of any article in China, but the export figures indicate that Japan has taken less of the Soya bean product as a fertilizer in late years, possibly owing to the lower purchasing power of the farmer, but compensation has occurred in other markets.

In 1911, the trade outdistanced tea as second on the list of China's exports.

FOREIGN DEMAND FOR BEANS.

According to the Chinese Year Book, 1913, an estimate of the bean production of Manchuria in normal years was compiled by the South Manchurian Railway Co., in 1909, and shows a total of 1,999,100 tons in that year, the above figures illustrate the great importance of this industry. The Monograph named, in referring to the trade, says:—

"The prosperity of Manchuria depends upon it, for the bean trade gives employment to an army of workers, boatmen, carters, millhands, etc., not to mention the farmers themselves, who, by extending the area of cultivation, are winning virgin soil to civilization. The railways depend for their freights principally upon beans and their products, the great gain in purchasing power of the Manchurian farmers due to profits made in recent years has stimulated the import trade in an extraordinary degree."

"The eager competition to secure beans in Europe shows no sign of slackening. The Manchurian product is raised under ideal conditions and by the cheapest possible labour, and the general impression prevailing seems to be that the bean trade has a good future before it. If the Mongolian plains are ever developed as they should be as pasture for vast herds of cattle, these beans are close at hand to provide ideal fodder for fattening the stock."

The considerable space devoted to the staple crop of Manchuria and its manifold uses appears justified by its direct bearing upon the prospects of an enlarged Canadian export of flour, and with regard to the northern provinces referred to by Sir Alexander Hosie, it must be remembered that the flour at present produced there is ground by small Chinese mills and all native flour is coarse in grain, bad in colour, and not likely to compete seriously with the Canadian product. Moreover, it is to be presumed that flour constitutes at least part of the local consumption of foodstuffs, and unless compensation can be found by increased production (a condition not in accordance with that observed in other parts of China), it would apparently follow that the effect of lessening the supply even if a distant market were found, would be to increase the price at point of production. As in the case of Manchuria, the working out of the problem is likely to be remote in time and subject to disturbing factors.

It would appear that Manchuria has a more profitable crop than wheat and it is open to serious question whether a flood of that cereal from the north will ever submerge cheap flour from the Pacific coast.

The concluding words of the *Northwestern Miller* article referred to, are as follows: "In view of the unsettled political status of Manchuria it is difficult to predict what the future wheat production will be. They will never produce great crops of wheat until they take up machine production, and that alternative is generations away from the present."

EFFECT OF HIGHER WAGES ON PURCHASING POWER.

A significant remark appears in the last two lines of the quotations from the Monograph on the Soya bean, in the statement that "larger earnings in Manchuria greatly stimulated imports to that Province." This remark is of universal application and is likely to provide an important factor in the expected enlargement of trade with China. Fifteen years ago the wages of an artisan engaged upon any of the numerous industries of Canton was 15c. (gold) a day. The earnings are now 30c. (gold). Obviously the purchasing power in any market has a direct relation to the rate of wages paid, and the writer is indebted to a statement prepared by the Colonial Secretary at Hong Kong which may be quoted in condensed form as giving figures but with somewhat wide range of rate.

AVERAGE RATE OF WAGES FOR LABOUR IN HONG KONG.

	Approximate Average, 1900, 1901, 1902.	Approximate Average, 1903, 1904, 1905.	Approximate Average, 1906, 1907, 1908.	Approximate Average, 1909, 1910, 1911.
Domestic servants employed by Chinese.....	\$6 to \$24 per annum with board and lodging.	\$12 to \$60 per annum with board and lodging.	\$12 to \$72 per annum with board and lodging.	\$12 to \$72 per annum with board and lodging.
Chinese employed by foreigners.....	\$24 to \$90 per annum.	\$24 to \$120 per annum.	\$30 to \$120 per annum.	\$30 to \$120 per annum with board and lodging.
Trades, Chinese workmen.....	\$18 to \$36 per annum with board and lodging...	\$48 to \$84 per annum with lodgings.	\$48 to \$54 with lodgings.	\$48 to \$54 per annum with board and lodging.
Gardeners employed by Chinese.....	.....	\$27 to (\$6) per annum with board and lodging.	\$27 to \$60 per annum with lodgings and generally board.	\$27 to \$60 per annum with lodgings and generally board.
Gardeners employed by foreigners.....	.....	\$48 to \$78 per annum with lodgings.	\$48 to \$78 per annum with lodgings.	\$48 to \$78 per annum with lodgings.
Unskilled labour employed by foreigners..	.....	\$54 to \$60 per annum with lodgings.	\$54 to \$60 per annum with lodgings.	\$54 to \$60 per annum with lodgings.
Unskilled labour employed by Chinese.....	.....	\$18 to \$36 per annum with board and lodging.	\$18 to \$36 per annum with board and lodging.	\$18 to \$36 per annum with board and lodgings.
Ordinary competent mechanics—				
Blacksmiths and fitters.	15c. to 75c. per day.	30c. to 75c. per day.	30c. to 75c. per day.	30c. to 75c. per day.
Labourers.....	10c. to 50c. per day.	12½c. to 50c. per day.	15c. to 30c. per day.	15c. to 30c. per day
Carpenters and joiners.	10c. to 37c. per day with board and lodging.	25c. to 37½c. per day with board and lodging.	25c. to 37½c. per day with board and lodging.	25c. to 37½c. per day with board and lodging.
Masons and bricklayers.	10c. to 25c. per day with board and lodging.	25c. to 30c. per day with board and lodging.	25c. to 30c. per day with board and lodging.	25c. to 30c. per day with board and lodging.

(Above figures are in gold.)

WAGES AND COST OF LIVING.

It will be noticed that the increase in the minimum rates mainly occur in the year 1906. Inquiries from other sources indicate that maximum rates apply more generally than formerly. As an illustration of this it may be stated that the rates paid in Shanghai for unskilled labourers ten years ago was \$1.75 (gold) per month with food provided. The rate is now \$3 per month with food provided. Masons and carpenters were paid ten years ago 15 cents (gold) and now receive 30 cents per day. Farm labourers formerly received 7½ cents per day and now receive 15 cents. These figures apply in the neighbourhood of Shanghai but interior rates are lower. In the Yangtze Valley rates were 7½ cents per day. They are now 10 cents. Such figures seem small to Western eyes, but they are not small in percentage gains, and it must be remembered that they indicate a progressive condition, which, applied to a vast population, will produce important results.

In common with the rest of the world the cost of living has increased in China, but the general opinion is that, except in the interior, increase in wages has more than compensated for the increase in cost, and this fact offers some encouragement to the desire for greater variety in diet.

Lumber.

AN IMPORTANT MARKET.

The production of lumber in British Columbia has so far been largely governed by the demand of the settler on the plains for building purposes, and although export has taken place from the States of Washington, Oregon and California it has not so far interested British Columbia producers to any considerable extent. The exhaustion of European sources of supply is fast bringing about a ravenous condition in a market which is constantly increasing. A large demand for lumber has proceeded from Australia, which country during the past twenty years has absorbed four times the quantity of Pacific coast lumber sent to Europe. The Panama canal seems likely to bring an important change in this respect; nearly all the lumber of the Pacific region is highly suitable for European consumption, but under present conditions it is impossible for fir to compete with pitch pine in Europe. The average carrying charge for this lumber from southern United States ports is approximately \$10, and the charter rate for Pacific coast fir ranges from \$15 in cargo lots on sailing vessels to \$19, for parcel shipments by steamer. By sailing vessels the added insurance is fully 7 cents, while in steam vessels extra insurance is but one-third of 1 per cent.

According to information afforded by a leading European firm in China, that country takes about 75,000,000 feet of Oregon pine per annum, nearly all of second-class and mixture of "merchantable" and "common." Canada would get a preference at equal prices on the ground of quality, but prices are said to be too high. The firm giving the information handles about two-thirds of the trade, and last year imported 57,500,000 feet, and another firm named to the writer do most of the balance. The system of trade is a combination with a large number of partners in the interior and their stores are tied to the parent house. Notwithstanding the destructive operations of the white ant there is an important market for lumber in China as soon as Canada is ready for it. From another source a statement was made that the market in Hong Kong for Oregon pine is estimated at 11,000,000 superficial feet per annum and Manilla takes in addition to that quantity, 5,000,000 feet. Oregon pine is chiefly used for houses and ships. Thickness: 1-inch, 1½-inch, 1¾-inch, 2-inch, 2¼-inch, 3-inch, 4-inch, 5-inch and 6-inch. Also 12 x 12, 14 x 14, 16 x 16, 20 x 20, 24 x 24, port measurement. (12 x 12, 1-inch thick.)

IMPROVED BUILDING CONSTRUCTION.

A greater portion of the above is consumed in Hong Kong, but there is a considerable export to Canton and other Chinese ports. If Canada desires this trade she should send samples. The settlement of government problems seems likely to result in better houses and larger use of lumber. Average price wholesale in Hong Kong is about 3 cents (gold) per superficial foot. Price at time of inquiry was 4 cents, but this is considered high depending upon stock in port. Price in ship was \$22 gold per 1,000 feet, with great difficulty in getting tonnage. United States f.o.b. price was \$12 gold per 1,000 superficial feet, freight \$11 at time inquiry was made. Similar information was obtained from an important and reliable house with an addition that China has practically no timber of her own and the consumption of imported timber must tend to grow as with the growth of foreign ideas the buildings continue to improve in construction and durability. The average buying price is \$18 gold per 1,000 superficial feet, landed in Hong Kong, but the present buying price (24th May, 1913) is \$22 gold.

Table on page 9, gives Canadian export of lumber to China and Hong Kong United States exports of wheat, flour and lumber are shown in the following tables:—

**EXPORTS OF WHEAT, WHEAT-FLOUR AND WOOD (U. S. PRODUCE) FROM UNITED STATES
TO CHINA AND HONG KONG.**

(Years ended June 30.)

Classification.	1909.		1910.		1911.		1912.	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wheat..... Bush.	105	\$ 103		\$		\$		\$
Wheat flour.... Bbls.	958,924	3,784,115	689,935	2,883,813	55,707	47,498	33,358	27,875
Wood—								
Logs and other round timber.....		1,006		2,400		27,851		41,798
Lumber—								
Planks, b. ds and deals.... M.Ft.	34,551	407,395	69,122	770,911	95,864	1,073,099	38,719	404,843
Shingles..... M.	5	10	6	14			50	210
Shooks—								
Box..... No.		811		13,674		36,301	31,730	2,164
Other.....	10,619	14,885	46,234	65,766	65,444	99,478	57,064	80,209
Staves.....			280,289	4,972	122,328	15,796	236,190	10,450
Heading.....							6,013	1,212
Other lumber.....		1,004		376			9,161	1,493

Detailed information regarding particular trades obtainable by officers resident in Japan and China is not attempted in this report, but will be found in the Weekly Reports issued by the Department of Trade and Commerce and contributed by the Trade Commissioners stationed at Yokohama and Shanghai. Changes have taken place in regard to both these offices. The Canadian Trade Commissioner of Shanghai died, and as a temporary matter the Trade Commissioner at Yokohama was placed in charge of the offices at Shanghai. This arrangement did not prove satisfactory, and the service is now being reorganized.

RELATIONS BETWEEN EAST AND WEST.

Mr. Archibald Rose, of H.M. Consular Service, and recently stationed for fourteen years at various points in China, has written an excellent report for the Indian Government headed "China: An Economic Inquiry into her Relations with the British Empire,"* and in dealing with the question of comparative cost of manufacture he quotes a statement made by an American gentleman interested in the iron industry, who says:—

"The general conditions on the Pacific coast are quite fair, but are handicapped by the high cost of labour in manufacturing, so that it is quite impossible to sell any of our manufactured goods in the Orient. We are still importing our Hankow pig iron on an extensive scale. A new feature has been the importation here of Chinese ore. We expect to bring about 50,000 tons a year to be manufactured at Irondale, State of Washington, and we are building another large steamer of 8,600 tons to engage in this business."

"It is surprising that merchants appear to be unconcerned as to the crisis in exchange which is closing the door to our exports to Asia and stimulating their exports to Europe. I venture the prediction with entire confidence that

if the price of silver continues for thirty years the entire steel and iron industry of Great Britain and the United States will have removed to China. The rate of wages there is one-fifteenth the rate at Pittsburg and the efficiency of labour 90 per cent."

This letter is described as full of interest, and it raises the whole question of the future industrial relations between the East and the West. Side by side with Chinese natural resources and ocean transport facilities lies an abundant supply of cheap and efficient labour, constituting the strongest factor in international competition. There are, however, certain disabilities; capital in China is scarce and dear and there is a certain inelasticity both in capital and labour. We find also the deadening influence of the guilds and their customary prices, the monopolies and interference of the state, and the lack of individual responsibility which may be largely attributable to the Confucian doctrines underlying the family and communal life, with the ensuing restrictions on freedom of trade and competition.

The conclusion reached after a somewhat elaborate argument is that the cost and standard of living and the price of wages are already rising in China and likely to continue to do so, even if not as rapidly as has been the case in Japan, and in the cotton trade, at least he is convinced that the abundant capital and vested interest at the back of Western industry will enable it to tide over the temporary stimulus which has been given to the production of Chinese native cottons by cheap labour and by cheap silver and that China presents no real industrial menace to the West.

The argument advanced above, based upon long residence and official experience, is entitled to a degree of respect which no visitor can hope to command after only a few weeks' residence in so vast a country as China; but it so far confirms the observation of the writer and the views expressed to him in China, and has so direct a bearing upon Canadian interests, that it merits the fullest attention in a report such as the present. If the description of industrial conditions on the Pacific coast is justified it must follow that they apply also to British Columbia. It will be remembered, however, that the remarks refer in the main to the production of iron and do not apply with equal force to the whole range of manufacture.

The important question of exchange is too complicated and would occupy too much space for a report such as the present and is therefore not dealt with. The present writer shares the sentiment which is expressed in the following words:—

"I have grown to a great admiration of the sturdy, slow-moving people, and for that old civilization which underlies their life, with all its mediæval charm. It does not leave me unmoved to wander in the crowded streets of China, to see the craftsmen at their slow and careful work, to watch the women at their spinning wheels winding the cotton which was grown on their own land and is destined to be woven and dyed and stitched in their own homes and so to clothe their families. There is much to admire, much to learn, but it belongs to another day, for pressure of population has dealt the death blow to these homely arts and crafts. If China's great population is to grow apace and prosper, there must be some new method of feeding it and clothing it, or it will break bounds once more, restoring the lost balance with wars and civil commotions until there is room to live again."

A BROAD FIELD OPEN TO COMPETITION.

Mr. Rose expresses a strong belief in the future of the country and its people. He believes their place in international affairs will be a great one, but hopes for a fuller realization of their potential wealth and strength and of the interests which the Empire has in each new phase of China's evolution. He says that the future gives promise of a greater China trade, not only for Great Britain and India, but for Canada, Australia and New Zealand, whose products are finding an increased demand on the China coast. No apology is needed for drawing fully upon the admirable report, if only because it is so entirely in line with the views of the writer. A final quotation may be added:—

"The field is so open to the competition of all nations, so broad and difficult to work, that those who would hold the foremost position must have the best information and the best men. The commercial work of the Consuls is likely to become increasingly important and increasingly difficult, if they would act as the eyes and ears of our Imperial commerce. It will be necessary for commercial experts to gauge the consuming powers and the exporting capacities of the Chinese hinterland in relation to foreign trade and for such men a knowledge of the Chinese language and Chinese customs is an asset of increasing value. The need of to-day is for commercial and financial experts of a high order, and this fact has been grasped by Germany, by the United States and by Japan. It is hoped that British interests will keep in touch with changing conditions and that they will realize that their position can only be secured by the high standard of their representatives in a field of enormous value and of world-wide competition."

Chinese Students.

The treatment of Chinese students in Canada was the subject of comment and may have a prejudicial influence upon Canadian trade with China. A letter received in the department from a most friendly and responsible source emphasizes this point of view. It will be remembered also that a reference was made on page 12 to the effect of the Chinese boycott on United States products in the years 1905 and 1906. It is stated that more than 1,000 Chinese students are at present in the United States and 400 in Great Britain. The relation between the presence of these students in various countries and the future development of trade in China is clearly recognized and organized efforts are put forth to induce Chinese students to go to these countries. A Chinese engineer trained in the United States will naturally turn first to that country, not only from feelings of friendship but also because he is familiar with the products of the United States. Unpleasantness even arises in the case of students passing through Canada to the United States. A recent occurrence is reported where a young Harvard graduate, private secretary to a distinguished Chinese official, was treated in a manner causing the greatest possible irritation. Such occurrences are spoken of as frequently happening, and while the writer is perfectly aware of another side to these stories, yet he would urge in the interest of trade that every effort should be made to minimize the effect of conditions applying to the class of men concerned.

A NATIVE PRESS.

It may be pointed out in relation to possible cases of friction that while a few years ago China was without a native press, to-day several hundred newspapers are in existence. The following list shows the number of those registered for transmission through the Chinese post office in a number of towns:—

	Foreign.	Chinese.
Peking	3	49
Taiyuanfu . . . . .	..	9
Kaifeng . . . . .	..	10
Tients'n	9	25
Mukden . . . . .	..	9
Tsinanfu . . . . .	..	14
Hankow	3	16
Anking . . . . .	..	15
Soochow . . . . .	..	10
Shanghai	25	73
Hangchow . . . . .	..	13
Canton . . . . .	..	39

Transportation.

In many parts of China and Japan, and a statement regarding it will be found in the report on Japan, attached hereto.

information upon this subject is common for both China

JAPAN.

The duties to be discharged in respect of this fascinating country corresponded with those described on the first page of this report as regards China, but with the important difference that the country is comparatively small, industrial development has been rapid, and the most modern and scientific statistical methods of measurement have been put in practice, even to an extent which is somewhat overwhelming in its abundance, and present a remarkable contrast to conditions which prevail in China. My visit began on July 11, 1913, and terminated on August 22, covering forty-two days. Letters were presented to officers of the Japanese Government at Tokyo and at the British Embassy—in each case every possible courtesy was extended, the fullest information afforded and grateful thanks are due to European residents in China and Japan for kindness, which is not likely to be forgotten.

It is often stated by Europeans who have resided in Japan that a visitor quickly becomes either pro-Japanese or anti-Japanese and that no middle course is possible. If evidence of phenomenal economic progress on the part of a people of remarkable industry and intelligence coupled with unvarying courtesy counts for anything, then assuredly European visitors cannot join the anti-Japanese class, and the character and achievements of a people forced by their situation to bear a prominent part in the solution of problems of incalculable importance to the whole human family command attentive consideration.

GEOGRAPHICAL FEATURES AND POPULATION.

The Empire of Japan comprises a large number of islands, the principal of which are Honshu, Hokkaido, Kinshu, Taiwan (Formosa), part of Saghalien, and also the Province of Korea (Chosen) absorbed by Japan in 1910.

The islands are situated in the North Pacific, and extend in a southwesterly direction from their northernmost point at the end of the Kamtchatka peninsula to Formost, not far from the Philippines.

The country had an estimated population in 1913 of 71,704,708 (including Korea and Formosa), and the increase during the decade ending 1908 amounted to 5,300,000 persons, equal to about 500,000 souls per annum. The number of Japanese living in foreign countries in 1907 was given as 134,219—present emigration from Japan may therefore be considered as a negligible quantity and the natural increase is about equal to the present combined immigration and natural increase in the case of Canada. The number of foreigners alleged to be residing in Japan (excluding Chinese) amounted in 1907 to 7,046. These figures include officials, missionaries and persons engaged in trade.

THE AWAKENING OF A NATION.

The second half of the last century saw the awakening of the nation from a peaceful dream of 700 years, and it became apparent that the feudal system must terminate and that the country should be brought under the uniform administration of a strong central government. In 1868 the late Emperor, on his accession to the throne, took the following oath:

“That a deliberative assembly should be formed and all measures decided by public opinion. That the uncivilized customs of foreign times should be broken through and the impartiality and justice displayed in the workings of nature be adopted as a basis of action and that intellect and learning should be sought throughout the world in order to establish the foundation of the Empire.”

At heavy cost in the operations both of peace and war this ideal has been steadily followed with the result that the world has watched its progress with interest and sympathy, although with limited understanding in many quarters. It is said that the Japanese are clever imitators, but if it is the part of wisdom to learn from experience it is obviously wise to profit by the experience of nations who in an economic sense are older than even Japan, notwithstanding her history of 2,500 years.

The development during the past thirty years has been remarkable, and an important market is offered for a great variety of commodities notwithstanding the advance in the manufacturing industries of the country. The trade of the empire during the decade ending 1912 is shown by the following figures, which also give the value in each case per head of the population. It will be seen that the increase has been nearly 89 per cent, and that in each of the years except 1906 and 1909 there has been a substantial excess of imports over exports.

TOTAL VALUES OF EXPORTS AND IMPORTS OF MERCILANDISE, WITH PROPORTION PER HEAD OF TOTAL POPULATION.

Year.	Exports Total Value.	Per Head.	Imports Total Value.	Per Head.	Total of Exports and Imports.	Per Head.
					Total Value.	
	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.
1903.....	289,502,442	6.19	317,135,518	6.79	606,637,960	12.98
1904.....	319,260,896	6.76	371,360,738	7.87	690,621,634	14.63
1905.....	321,533,610	6.74	468,538,017	10.25	810,071,627	16.99
1906.....	423,754,892	8.90	418,784,106	8.70	842,539,000	17.50
1907.....	432,412,873	8.86	494,467,346	10.13	926,880,219	18.99
1908.....	378,245,673	7.63	416,257,462	8.80	814,503,135	16.43
1909.....	413,112,511	8.22	394,198,843	7.84	807,311,354	16.06
1910.....	458,428,906	8.99	464,238,808	9.11	922,662,804	18.10
1911.....	447,433,888	8.66	513,805,705	9.95	961,239,593	18.61
1912.....	526,961,842	10.07	618,992,277	11.83	1,145,974,119	21.90

Yen = 49.8c.

NOTE.—1. The values of the exports represent prior to 1904 the price at the port of shipment and in that and subsequent years the price and packing charges.

2. The values of the imports represent prior to 1899 the original price only and in that and subsequent years the cost, packing charges, freight and all other expenses incurred up to the time of arrival at destination.

3. The figures for 1910 do not include the amount of trade between Japan proper and Korea which was carried on in September and subsequent months of the same year.

It will be noted that the consumption of goods per capita increased from yen 6.79 to yen 11.83, presenting valuable testimony to the purchasing power of the market.

The following table indicates the figures in the two preceding decades:—

TOTAL VALUES OF EXPORTS AND IMPORTS OF MERCILANDISE, WITH PROPORTION PER HEAD OF TOTAL POPULATION.

Year.	Exports Total Value.	Per Head.	Imports Total Value.	Per Head.	Total of Exports and Imports.	Per Head.
					Total Value.	
	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.
{ 1883.....	36,268,020	0.97	28,444,842	0.76	64,712,862	1.73
{ 1892.....	91,102,754	2.22	71,326,080	1.74	162,428,834	3.96
{ 1893.....	89,712,865	2.17	88,257,172	2.13	177,970,037	4.30
{ 1902.....	258,303,065	5.61	271,731,259	5.90	530,034,324	11.51

Yen = 49.8 cents.

The increase in consumption is less marked in the first decade than in the second and third, but the showing is sufficiently remarkable.

COMMERCIAL PROGRESS.

In order to show the advance over thirty years it may be said that the total trade of Japan in the year 1883 was yen 64,712,862, the per capita being yen 1.73, and the total trade of 1912 was yen 1,145,974,119 with a per capita result of yen 21.9, an increase of 1,670 per cent. It is a matter of course that such an advance could only be rendered possible by liberal borrowings from foreign sources and the heavy cost of two wars have also to be provided for. The budget for the financial year 1913-14 (estimated) shows a total revenue of yen 586,807,588 and this presents a remarkable contrast with the year 1883-4 when the revenue, ordinary and extraordinary, is given at yen 83,106,859.

TAXES PRODUCING REVENUE.

Taxation necessary to produce the revenue named consists of taxes upon land, income, business, succession, travelling, mining, issue of bank notes, liquors, soy, sugar excise, consumption tax on textile fabrics, consumption tax on kerosene oil, tax on bourses, customs duties and tonnage dues. The principal of these for the year 1912 in relation of importance are:—

	Yen.
Liquors	89,047,457
Land tax	75,335,046
Customs	55,906,687
Income tax	35,471,676
Business tax	23,059,190
Textile tax	19,180,204
Sugar excise	15,125,293
Stamp receipts	29,071,226
Profits on the monopoly of salt, camphor and tobacco	53,728,468
Receipts from State property	140,034,529
Postal, telegraph and telephone service.....	58,992,678

It will be seen that taxation is high, particularly having regard to the small means of a large proportion of the population. Land tax ranges from 2½ per cent to 5½ per cent, income tax from 4 per cent to 22 per cent, business tax varies according to occupation, and is based upon the amount of sales or the amount of capital, and rental of buildings, with a uniform charge of 2 yen for each employee per annum. Succession tax varies from 1 per cent to 6½ per cent.

The list of taxes is too long for this report, but may be found in the Financial and Economic Annual of Japan; import duties may, however, be mentioned. While the primary object of the tariff is to obtain revenues for the needs of the country, it is framed for the encouragement of Japanese industries, and to that end exempts from duty material used in Japanese factories, or admits them on a low scale of duty. In the tariff brought into force on July 17, 1907, the number of articles enumerated is 647, the duties are as far as possible specific and raw materials are mostly duty free; upon half-manufactured materials light duties are levied, while duties are high upon manufactured goods, where the rates vary from 15 per cent to 40 per cent, but goods on which the maximum duty is imposed have a small importation.

TARIFF CONVENTIONS.

Tariff conventions have been concluded with various countries, under which concessions were made in the Japanese duties upon leading articles of imports in exchange for similar consideration for Japanese products.

FINANCES AND BANKING.

The total of internal and foreign loans outstanding in 1913 amounted to 2,493,-016,745 yen, but it should be stated that this amount included the ownership of State railways, telephone extension, steel works, etc., for which loans have been raised amounting to yen 539,585,200. Considerable amounts have been devoted to the development of local enterprise and to means of fostering the resources of the people by facilitating the supply of capital for agricultural purposes, and to that end the Hypothic Bank of Japan, the Hokkaido Colonial Bank and agricultural and industrial banks were established. The first-named bank, having a capital of yen 10,000,000, was established in 1898, and in 1911 its capital was increased to yen 20,000,000, of which yen 15,000,000 has been paid up. It was designed for the purpose of making long term loans at a low rate of interest on mortgages of immovable property, such loans to be redeemed by annual instalments over a period of years to be agreed upon. The bank is authorized to receive deposits equal to the amount of its paid-up capital. It is further permitted to issue mortgage debentures to an amount not exceeding ten times its paid-up capital.

The Agricultural and Industrial banks have each a capital of not less than yen 200,000. The business carried on is that of loans upon the security of residential land or buildings, in certain cases to make loans without security and to make loans upon agricultural or marine products or industrial manufactures. With the object of aiding these banks the Government delivered to the prefectural authorities a proportion of the amount provided in the budget for taking up the shares of the Agricultural and Industrial banks in the respective business districts over which they exercise jurisdiction. In 1909 the Co-operative Societies Law was issued for the encouragement of co-operative societies, and concentrated small capitals by methods of self-help, with the object of applying them for various industrial purposes, especially for agricultural purposes. These societies are making rapid progress, and in 1912 their number reached 9,683. In 1910 the Government gave facilities for lending at a low rate of interest by the Japan Hypothic Bank for the work of adjustment of land under cultivation, such adjustment generally having relation to roads, boundaries, bridges and irrigation; and to co-operative societies a portion of the postal savings retained by the Deposit Section of the Finance Department was allocated.

Manufactures.

FACTORY STATISTICS.

The growth of manufacturing industry has been important, and the following table indicates the number of factories worked by motors of various kinds, such as steam, gas, petroleum, water, with the number of operatives, from 1902-1911, and also the number of factories not worked by motors, and the total number of operatives employed.

Year.	Number of Factories worked by motors.	Number of Factories not worked by motors.	Total Number of Factories.	Total number of Operatives Employed.
1902.....	2,991	4,830	7,821	498,890
1903.....	3,741	4,533	8,274	483,839
1904.....	4,000	5,234	9	526,215
1905.....	4,335	5,441	9,776	587,851
1906.....	4,656	5,705	10,361	612,177
1907.....	5,297	5,731	10,938	643,292
1908.....	5,617	5,773	11,390	649,976
1909.....	6,723	8,703	15,426	692,221
1910.....	6,731	6,792	13,523	717,161
1911.....	7,756	6,472	14,228	793,885

TRADE AND COMMERCE

KINDS OF FACTORIES AND WAGES.

A further table may be given indicating the character of the factories enumerated, and average wages paid.

Kinds of Enterprise.	Number of Factories.	Number of Operatives.	Average Daily Wages.	
			Male.	Female.
Silk Filature	3,054	215,655	30	26
Silk Spinning	135	100,506	30	26
Cotton, Ginning, Weaving, Bleaching, Knitting, &c.	4,091	151,640	44	33
Machines and Iron Factories	1,069	71,088	60	
Chemical Factories, including Paper, Ceramics, Lacquer, Leather, Explosives, Soap, Candles, Paints, Manures, &c.	1,471	68,573	55	23
Breweries	960	20,200	52	27
Miscellaneous Factories	1,701	57,954	44	21
Mining Industry	217	49,471	60	27

Sen = $\frac{1}{100}$ cent.

INCREASE IN POWER OPERATED ESTABLISHMENTS.

It will be seen from the above table that the number of factories operated by power increased in the decade ending 1911, 159 per cent, it will be noted that the number of factories where power was not required was nearly double that of factories worked by power in the year 1902, and the number of employees was probably in about the same proportion. A comparatively small increase amounting to 34 per cent has occurred in the number of factories without power. The total increase in operatives employed amounts to 59 per cent and it may be assumed that by far the greater number of these are employed in factories worked by power.

In regard to cotton, it may be pointed out that a large number of very small mills are in existence, but by far the greater proportion of the work is done by modern mills possessing the most perfect machinery. Weaving provides employment for 132,832 persons, and the balance of 21,168 is divided between ginning, bleaching, knitting, &c. The phraseology used in the Japanese returns are employed in this report, and it will be noted that under the heading of chemical factories are found articles as dissimilar as paper, lacquer, leather, &c. Ceramic manufacture provides employment for 27,953 persons, and the next largest employment is provided by the manufacture of explosives, with 15,865 operatives, followed by paper mills with 10,117 operatives.

Rates of interest on borrowed money have been high and became a serious burden, particularly in cases where small amounts were borrowed. The rates of discount throughout the country reached a maximum of 11 per cent per annum in 1908, falling to 7½ per cent in 1911, and reaching 10 per cent in 1913. The rate of interest by the Bank of Japan was 7 per cent in 1908, 4½ per cent in 1911, and 6½ in 1913. The rate for national foreign loans contracted at various dates during the period named varied from 4 per cent to 5 per cent.

EXPANSION OF INDUSTRY.

The expansion of industry in Japan has a direct interest for Canadians in two ways: Firstly, The migration from the country to the towns tends to increase the consumption of food and to minimize its production and Canada may hope to supply a share of the enlarged requirements. Secondly, Canada is looking forward to a

time when her developed industries will demand a foreign outlet for their product, and sooner or later Canadian manufacturers will realize the steadyng effect of an export trade, the conditions of which is less subject to the fluctuations characteristic of purely local business, which overwork plants at one period and leaves them half idle at another; a realization of this fact is likely to precede the urgent need for a foreign market similar to that which was felt in the United States, and will certainly arise in Canada, when a combination of natural resources, water-powers and population bring about their natural result. When that time arrives, as it certainly will, the power of competition in the production of manufactured goods by a people commanding ample resources in cheap labour become a subject of profound interest, and the object of the tables shown has been to throw some light on probabilities in this respect. Japan is a country rich in the industry and sobriety of her people, but with her immediate resources seriously lessened by the burden of war and the enterprise of industrial advance. The difficulty to-day is to obtain capital which is not available in sufficient volume in Japan. This condition is likely to prevail for a considerable period and operates to check development, but nothing can check the demand for food on the part of a population increasing at the rate of 500,000 souls per annum.

FOREIGN CAPITAL.

A reference to the introduction of foreign capital is made by Count Okuma in his "Fifty Years of New Japan," as follows:—

"In the event of the passage of the Bill giving foreign capital the right to invest in Japanese industries, foreign capitalists intending to so invest should recognize the advisability of leaving the working of such industries to the Japanese, for if they insist upon employing officers, engineers and workmen of their own nationalities it is likely that they will find their undertakings to be failures."

Such a statement made upon undoubted authority and supported by competent observers cannot be considered as likely to encourage the supply of much needed capital for industrial development, and Japan is by no means the only country desiring to attract money. Competition for that commodity never fails. According to the *Statist*, applications for British capital amounted in the first quarter of the current year to £108,605,000. Of these issues the British Colonies took £47,000,000 and Canada's share was £24,448,000. All the world wants money.

LOWER WAGES AND MORE OPERATIVES.

A condition that is found to be universal in countries where labour is abundant and rates of wages are low, is that more persons are employed to do a fixed amount of work than would be required in a country where wages are high, and it is extremely difficult to overcome a habit of this kind rooted in generations of practice. It has been said that the Japanese borrow liberally from Western experience and possess the merit of being good imitators, but they cannot possess themselves of methods which tend to expand their industry without also acquiring methods which tend to check the development of its competitive power. Knowledge of Western methods is not confined to employers, and combinations or guilds for various purposes are not new in the Orient. Attempts are certainly to be made having for their object the increase of wages and to raise the standard of living based upon the example of trade unionism in other countries.

The effect of such proceedings will be to minimize the Japanese power of production and to enlarge the Japanese demand for Western goods. That employers realize these facts is obvious from their reluctance to continue the employment of highly trained Europeans. For a long time it has been said that the Japanese engage Westerners of proved capacity and pay them well for a period of three years, and

having learnt all they can teach the engagement is terminated. This procedure is perfectly justifiable, but it illustrates the difficulty of learning only what one desires to learn from the foreigner. The rate of payment to a foreman cannot be concealed from the intelligent Japanese workmen and every such foreman is an advertisement of the different conditions which apply in the country from whence he comes. The result is that the Japanese prefer to submit to a lessened rate of progress and avoid the employment of a highly trained Westerner. Japan is now a constitutional country with a large number of newspapers, and political ambition, will not fail to exploit the vote of the working class and will not leave the Japanese operative long in ignorance of conditions which apply in the world outside his country.

GENEROUS TREATMENT OF EMPLOYEES.

An illustration of the efforts being made to attract operatives by generous treatment rather than by increase of wages is found in some of the cotton mills of the country. The present writer, while inspecting one such mill, was told that the president of the company owning it was moved by philanthropic motives and because of this sentiment the directors built model works and housed and fed their operatives under the most perfect conditions. The buildings, appointments and machinery were all of the very best, and a really beautiful volume gives "A brief outline of the Welfare Work of the Company," and describing their most admirable arrangements, has the following table of contents:—

Educational work—

- Operatives' school,
- Kindergarten,
- Lectures and recitations,
- School for female operatives,
- Publication of periodicals,
- Female etiquette.

Arrangements for the sick, the injured and the deceased—

- Relief by the "Kyosai Kumiai" (Mutual Relief League),
- Relief by the company.

Arrangements in connection with food, clothing and dwellings—

- Dormitories for the female operatives—Nurseries,
- Dormitories for the male operatives—Tenements,
- Delivery offices of rice and sundries—Co-operative society.

Sanitary arrangements—

- Infirmaries,
- Laundries,
- Sanatoria,
- Contagious diseases hospital and bacteriological laboratory.

Arrangements for giving patients the benefit of a change of air.

Arrangements for the recreation and comfort of the operatives—

- Recreation halls,
- Holiday gatherings,
- Committee of welfare.

Support for the children of the operatives—

- Pecuniary assistance for bringing up the operatives' infants,
- Annuity system, savings and remittance to families.

Nothing more perfect can be imagined than the arrangement made for the welfare, the instruction and the amusement of the operatives numbering several thousand of both sexes. The company in question started about seventeen years ago and has been highly successful, paying large dividends. Shares of the face value of 50 yen are considered gilt-edged, and their market price rose from a minimum of 28 yen in 1904 to a maximum of 281 yen in 1907, but stood at 117 yen in 1911.

Many of the girl operatives are farmers' daughters, who can rarely be induced to stay more than three years. When they have saved from 100 to 500 yen they return to their people and with this dower they hope to marry. They work eleven hours with an intermission of half an hour at 9 a.m., at 12 o'clock and at 3.30 p.m., making 9½ hours actual work. Wages range from 30 to 40 sen per day (1 sen equals ½ cent) rising to 50 sen per day for very highly skilled persons, in the case of male operatives wages average 53·8 sen per day. Both sexes are provided with airy quarters in dormitories with medical attendance, food, amusement and instruction for 9 sen per day. Houses are provided for married people at from 1½ to 14 yen per month.

DIFFICULTY IN OBTAINING LABOUR.

The mills are being enlarged but a serious difficulty exists in obtaining operatives and the admirable accommodation provided is probably due in part to this need. The looms in operation were working upon coarse sheeting for Siberia, Manchester and China. Gassed yarns were being successfully produced but not on a large scale. The very intelligent Japanese manager admitted that more operatives were employed for the same work than in Lancashire, but nothing definite could be obtained as to comparative cost of production. Constant complaint was made that operatives cannot be kept long enough to acquire a high degree of skill, and this fact constitutes a serious handicap upon the industry. A striking difference between the mills visited and European cotton mills is noticed in the fact that, having plenty of space at their disposal, the company has been able to dispense with two-story buildings. Mule spinning machines are not employed by this company, frames being all of the ring type and the counts are from 8 to 40. In another large mill, producing counts 60 to 80, the company paid a dividend for the half year ending June 30, 1913, at the rate of 16 per cent per annum. The ring frame is preferred in mills. The objection to the mule are: (1) Uneven quality. (2) Output less than ring. (3) More space in mill required. (4) Increased danger from fire. (5) More complicated—cannot be worked by girls. (6) Ring yarn commands a better price.

The tendency is to give up the use of the mule altogether. One company is reported to be so convinced upon the point that they are selling mules at about one-tenth their cost in order to replace with ring spinning machines. In common with all the mills this company has difficulty in securing operatives and is trying to induce more permanence by paying a bonus after two years and paying for piece work, but even so, not more than 10 per cent of the operatives are old hands. The mills visited were driven by electric power generated by steam.

The following table gives the output of yarn in Japan, export, average price of yarn and average price of raw cotton. The export is almost entirely to China and it will be noticed that the increase in production greatly exceeds the increase in export.

PRODUCTION OF YARN.

Year.	Total Output of Yarn.	Amount of Export. Bale.	Average Price of Yarn. Yen.	Average Price of Raw Cotton. Yen.
	Bale.			
1900.....	645.32	208,333	96·10	26·00
1901.....	660,509	209,172	100·42	26·00
1902.....	770,853	197,481	98·01	24·86
1903.....	801,738	307,201	102·15	26·55
1904.....	695,212	257,307	116·52	32·92
1905.....	905,536	267,383	129·68	25·41
1906.....	945,165	266,316	131·76	30·23
1907.....	983,492	226,472	125·08	29·49
1908.....	878,570	167,842	108·27	27·45
1909.....	1,025,244	258,878	122·35	30·44
1910.....	1,134,780	347,633	134·10	37·00
1911.....	1,120,267	285,009	148·43	37·93
1912.....	1,352,209	374,932	144·40	31·29

Bale = 400 lbs.

Yen = 40·8c.

WAGES AND EFFICIENCY.

Professor C. T. Becker, Editor of the Japan Year Book, deals with the wages of Japanese operatives and their relative efficiency, and expresses the opinion that although they are inferior to the operatives in the British and United States mills, yet the difference in capacity is less than the present difference in wages. It will be seen, however, that important progress is being made in respect of increased wages, and there is no reason to suppose that this progress will not continue to apply in the future as it has done in the past. It seems probable that factory acts for the regulation and protection of juvenile operatives will shortly find a place in the statute books of Japan. While many of the larger works are admirable in their construction and appliances, this cannot be said of all of them, and complaint of the compound system is very general.

On July 19, 1910, the *Times* published an admirable special number headed "The Japanese Empire." By the courtesy of the publishers the present writer has before him a copy of this report in book form. The comprehensive character of the information afforded may be judged from the fact that the book comprises 439 pages and is the work of leading authorities on the respective subjects dealt with. The editor had visited Japan for a somewhat similar purpose fourteen years before and could, therefore, speak with authority of the progress which had occurred between the two visits. Many of the conclusions agreed with the observation of the present writer, but it is quite impossible, within the limits of a report such as the present, to provide matter on the same scale as that which appears in the *Times* edition.

A quotation from this number may be presented, as follows:—

"The Japanese have discovered that the progress of industry cannot depend wholly upon cheap labour. Experience, skilled training, steady application and a plentiful and easily accessible supply of raw materials with cheap capital are equally important elements in the problem. The progress during the last twenty years has been very marked, but it is hardly fair to expect that the same rate can be maintained."

At several points in the publication reference is made to the need of capital, skilled labour and the maintenance of the quality of products.

Baron Shibusawa, a gentleman distinguished as a leader in Japanese industry and who speaks with the authority of prolonged and wide experience, contributed an article to the May number of the *Japan Magazine*, 1910, from which the following quotation is taken:—

"Our industrial advancement is encouraging, but furnishes us with no reason for cessation of careful attention. Mechanical processes are gradually superseding manual crafts and subsidiary occupations, until we have now almost every manufacture to be met with in Europe and America, but the scale of our operations and the extent of our output cannot be compared with industrial centres abroad. We are mainly lacking in skill of manipulation, perfection of execution and capacity for output."

CAPITAL INVESTED IN COTTON MILLS.

The following table gives the gross amount of capital invested in cotton mills, number of spindles worked daily, quantity of raw and ginned cotton, production of cotton yarn, average number of male and female operatives employed daily, annual working days, daily working hours, average wage of male and female operatives.

SUPPLEMENT TO WEEKLY REPORT

35

COTTON INDUSTRY OF JAPAN.

Year.	Gross Amount of Capital Invested.	Average Number of Spindles Worked Daily.	Quantity of Raw & Ginned Cotton Required.	Total Production of Cotton Yarn.	Average Number of Male Operatives Daily Employed.	Average Number of Female Operatives Daily Employed.	Annual Working Days.	Daily Working Hours.	Average Daily Wages of Male Operatives.	Average Daily Wages of Female Operatives.
	Yen.	Kwan.	Kwan.	Kwan.					Yen.	Yen.
1902.....	34,459,082	1,301,173	41,286,547	26,458,147	14,375	57,513	315	21	0.323	0.206
1903.....	34,405,329	1,290,347	45,751,509	30,129,772	13,160	57,166	308	20	0.330	0.206
1904.....	34,699,554	1,306,198	40,157,010	34,515,430	10,367	52,115	309	20	0.338	0.212
1905.....	36,991,079	1,402,931	50,516,514	44,137,858	12,183	58,728	325	20	0.360	0.220
1906.....	40,112,536	1,411,934	53,079,596	46,187,845	13,032	59,281	327	22	0.380	0.240
1907.....	55,284,410	1,500,579	54,707,033	47,322,788	14,879	62,001	330	21	0.410	0.250
1908.....	52,417,903	1,403,034	49,496,645	42,864,262	15,265	58,960	331	21	0.440	0.270
1909.....	57,977,926	1,785,665	58,726,909	50,031,590	18,431	70,944	323	21	0.420	0.260
1910.....	59,315,626	1,896,601	66,825,349	56,306,939	17,698	73,821	313	19	0.420	0.270
1911.....	61,696,079	1,901,290	65,565,730	55,974,015	16,921	71,628	311	19	0.440	0.280

NOTE—Yen = 49.8 cents. Kwan = 8.26733 lbs. (avoirdupois).

The increase in capital invested shown by the above table equals 70 per cent, and the increased number of spindles in work equals 46 per cent, a considerable quantity of waste cotton (8,084,915 kwan in 1911), and of waste cotton yarn (507,308 kwan in that year) was produced. It will be noted that the number of working days are slightly reduced, the daily working hours are reduced 11 per cent, and during the period covered, the daily wage of operatives has increased 36 per cent, so far as regards money paid, but the daily hours worked in 1911 average 9½ (single shift), as against 10½ hours in 1902, and if the shorter period of work be taken into consideration, the increase in wage would be 50 per cent.

ADVANCE IN AVERAGE DAILY WAGES.

The following table indicates the advance in average daily wages, as applied to a selected list of employment during ten years terminating in 1911.

AVERAGE DAILY WAGES OF UNDERMENTIONED CLASSES OF LABOUR.

Kind of Employment.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.	1910.	1911.
Agriculture, &c.—										
Farm labourer (Male).....	Yen. 0.323	Yen. 0.313	Yen. 0.330	Yen. 0.320	Yen. 0.340	Yen. 0.360	Yen. 0.390	Yen. 0.380	Yen. 0.390	Yen. 0.420
" (Female).....	0.193	0.190	0.200	0.200	0.210	0.220	0.230	0.230	0.240	0.250
Gardener.....	0.57	0.550	0.530	0.550	0.590	0.620	0.690	0.730	0.770	0.830
Fisherman.....	0.343	0.373	0.330	0.420	0.490	0.470	0.510	0.480	0.540	0.590
Clothing, &c.—										
Tailor (for European dress).....	0.59	0.573	0.590	0.646	0.680	0.740	0.770	0.790	0.810	0.850
Food and Drink, &c.—										
Confectioner.....	0.310	0.358	0.330	0.340	0.330	0.360	0.390	0.400	0.430	0.450
House building, &c.—										
Carpenter.....	0.58	0.588	0.590	0.600	0.650	0.730	0.810	0.800	0.800	0.830
Plasterer.....	0.59	0.605	0.600	0.600	0.650	0.760	0.84	0.820	0.830	0.860
Stone-cutter.....	0.69	0.683	0.650	0.660	0.730	0.870	0.960	0.930	0.930	0.940
Sawyer.....	0.58	0.575	0.580	0.590	0.640	0.730	0.780	0.780	0.800	0.780
Tile-roofer.....	0.63	0.650	0.646	0.650	0.730	0.870	0.970	0.940	0.950	1.000
Brick-layer.....	0.725	0.740	0.710	0.716	0.820	0.930	1.060	1.010	1.040	1.060
Brick maker.....	0.43	0.515	0.570	0.550	0.530	0.630	0.740	0.760	0.730	0.730
Screen and door maker.....	0.563	0.555	0.530	0.550	0.610	0.710	0.780	0.760	0.760	0.780
Paper hanger.....	0.540	0.560	0.540	0.560	0.580	0.660	0.740	0.730	0.730	0.750
Cabinet-maker.....	0.538	0.535	0.520	0.550	0.590	0.680	0.710	0.750	0.760	0.790
Harness-maker.....	0.548	0.600	0.580	0.620	0.630	0.650	0.680	0.700	0.700	0.700
Blacksmith.....	0.515	0.525	0.550	0.550	0.570	0.650	0.680	0.670	0.690	0.700
Printer.....	0.370	0.363	0.360	0.380	0.390	0.440	0.470	0.490	0.500	0.500
Day-labourer.....	0.390	0.400	0.400	0.410	0.420	0.490	0.530	0.520	0.530	0.560

Yen = 49.8 cents. Kwan = 8.26733 lbs. (Avoir).

The above table is taken from the Financial and Economic Annual of Japan, for 1913, to which the present writer is indebted for part of the statistical information comprised in this report. Japanese official figures are so carefully compiled that there is no reasonable doubt as to their accuracy, but the Annual referred to does not state the origin of the figures, or afford any explanation of same. Although considerable fluctuation is shown, the general tendency of wages has shown a considerable increase, but it will be noted that the advance has not been continuous, and has been subject to fluctuation in certain years. In the case of 1903, this will be found to apply to certain items but not in all, wages decreased on the whole in that year, as against 1902, followed by an increase in 1904 to a point higher than in 1902; a similar condition applies in 1905. In alternate years these figures recede in several cases, only to be followed by a substantial advance in the subsequent year. Although this remark is of general application, it does not apply in all instances.

These figures indicate the change in respect of wages which occurred in the decade dealt with and show an important increase in that period, but considerable advances had taken place prior to 1902, and the following table gives a comparison between the years 1895 and 1911 in certain industries.

AVERAGE DAILY WAGES IN UNDERMENTIONED CLASSES OF LABOUR IN THE YEARS 1895 AND 1911.
Yen=49·8c.

Kind of Employment.	1895.	1911.
Agriculture, &c.—		
Farm labourer (Male).....	0·185	0·420
" " (Female).....	0·114	0·250
Gardener	0·291	0·830
Fisherman.....	0·232	0·590
Clothing, &c.—		
Tailor (for European dress).....	0·384	0·850
Shoemaker.....	0·315	0·650
Food and Drink—		
Confectioner.....	0·206	0·450
House building, &c.—		
Carpenter.....	0·312	0·830
Plasterer.....	0·313	0·860
Stone-cutter.....	0·359	0·940
Sawyer.....	0·307	0·780
Tile-roofer.....	0·325	1·00
Brick-maker.....	0·380	0·730
Screen and door maker.....	0·304	0·780
Paper-hanger.....	0·283	0·750
Cabinet-maker.....	0·296	0·790
Blacksmith.	0·280	0·700
Printer.	0·236	0·500
Day-labourer.	0·223	0·560

It will be seen that the percentage of increase is much greater in the period of sixteen years ending 1911 than in the decade terminating in that year, that wages have doubled in all cases, and in many instances the increase is considerably more than double.

Foreign Trade.

The total volume of the import and export trade in 1912 was yen 1,145,974,119, being an increase of 19·2 per cent on the total trade of the preceding year. Of this volume the imports reached yen 618,992,277, an increase of 20 per cent on the preceding year's amount. Exports increased in a remarkable degree owing to the brisk sale of cotton fabrics, marine products and miscellaneous articles for China in consequence of the gradual restoration of order in that country and the appreciation of silver.

The imports of provisions amounted in 1912 to yen 72,054,488, raw materials, yen 299,354,212, and manufactures for further use in manufacturing, yen 122,805,368, while the volume of wholly manufactured articles amounted to yen 121,170,302, being a decrease of yen 5,180,022. The decrease in the imports of wholly manufactured articles and the increase in imports of provisions and raw materials were due to a sudden increase in the importation of animal and vegetable fibres and metal materials in consequence of the development of textile manufactures, shipbuilding and mechanical industries.

Japan's trade relations with Great Britain and her possessions amounted to 32.7 per cent of the total foreign trade. The advance in trade with Great Britain was due to an increase in the exportation of waste silk, straw braids and copper to that country and in the importation of metal materials and machinery, while the favourable condition of the trade with British possessions was owing to the increase in export of cotton fabrics, knitted goods and coal to India, matches, marine products, cotton yarns and threads to Hong Kong, and coal to the Straits Settlements.

Trade with the United States, including Hawaii and the Philippine Islands, constitutes 27.2 per cent of the total foreign trade. The greatest increase in the import of raw materials in 1912 is shown by cotton, which is equivalent to 32 per cent of the total import and shows an increase of yen 54,041,592. Of the quantity imported, 52 per cent came from British India, 31 per cent from America and 11 per cent from China. The importation of iron material has steadily increased as a result of progress in shipbuilding and mechanical manufacturing industries, the value of these imports in 1912 being yen 58,465,272, and of these the principal articles were iron and steel, pigs, ingots, slabs, blooms, bars, rods, sheets, plates, pipes and tubes, of which 48 per cent were imported from Great Britain, 20 per cent from the United States and 19 per cent from Germany. The importation of metal manufactures of all kinds amounted to yen 20,622,638, the principal articles being railway, house and bridge building materials, insulated electric wire and nails. The import of various machines was valued at yen 28,465,239, and of these the largest imports were dynamos, motors and metal-working machines. The increased demand for paper and pulp for manufacture in Japan led to an increase in their importation.

Of beverages and staples both rice and wheat show an increased importation, the former on account of its appreciation in the home market and the latter on account of its increased demand for flour manufacture. Of the other articles of import a remarkable increase appeared in the importation of rape seed, skins and hides, animal foods and timber.

TRADE AND COMMERCE

FLUCTUATIONS IN PRICES.

As indicating fluctuations in the prices of a selected list of commodities, which more or less concern Canada, the following figures are given:—

VALUES OF CHIEF COMMODITIES IMPORTED (YEARS ENDED DECEMBER 31).

Articles.				
	1900.	1910.	1911.	1912.
Rice.....	Yen.	Yen.	Yen.	Yen.
Wheat.....	13,585,817	8,641,439	17,721,085	30,193,481
Wheat flour.....	1,375,782	3,338,243	3,728,829	4,401,638
Salted salmon and trout.....	1,431,137	1,736,238	1,702,961	1,722,140
Hides or skins of bull, ox, cow and buffalo.....	324,882	431,594	75,689	247,531
Leather, sole.....	1,818,351	1,375,767	637,976	1,591,984
Caustic soda.....	1,250,916	1,064,650	1,501,994	1,241,790
Sulphate of ammonia.....	1,309,131	1,376,658	1,250,982	1,168,420
Cotton yarn.....	5,923,509	9,065,787	10,587,649	12,164,092
Grey shirtings and sheetings.....	868,739	344,187	684,463	630,732
White shirtings and sheetings.....	5,555,889	5,469,926	5,336,303	1,629,379
Cotton Italians and satins.....	1,492,405	1,087,101	1,703,610	1,238,408
Cotton prints.....	2,681,267	2,886,068	3,363,436	3,119,197
Cotton velvets and plushes.....	1,708,569	1,720,300	1,271,837	425,516
Blankets and travelling rugs (single).....	1,361,734	862,939	795,098	1,113,150
Printing paper.....	236,367	215,159	238,514	145,647
Iron, pig.....	2,969,982	3,446,815	2,397,755	2,958,623
Iron, bar, rod, T, angle and the like.....	3,737,863	3,364,200	6,401,336	8,150,234
Iron, galvanized wire.....	5,291,482	7,726,754	9,282,807	15,302,270
Iron, tinned plate or sheet.....	1,333,719	2,280,930	2,342,264	3,489,299
Iron, plate and sheet.....	3,278,003	3,294,814	4,287,187	4,277,523
Rails.....	2,047,106	4,169,339	5,219,499	9,431,380
Iron, pipes and tubes.....	1,542,282	1,503,756	5,043,608	3,939,337
Lead, pig, ingot and slab.....	2,793,394	3,240,804	4,268,376	4,962,722
Iron nails.....	1,075,035	1,531,398	1,947,796	2,873,742
Insulated electric wires.....	2,086,703	2,780,446	2,364,451	3,449,502
Railway carriages and parts thereof.....	1,517,017	1,637,381	3,699,621	5,388,379
Bicycles and tricycle.....	1,292,557	1,497,273	3,335,305	3,131,804
Electric machinery.....	2,368,133	2,185,229	2,998,709	3,116,233
Pulp, for paper manufacture.....	2,999,711	2,191,921	5,711,207	4,159,603
Condensed milk.....	1,574,538	3,166,495	2,756,518	4,379,361
	2,348,304	2,431,648	2,046,074	2,089,731

NOTE.—Yen=49·8 cents.

IMPORTANT INCREASES TO BE NOTED.

It will be seen that important increases are shown in some of the items, and enlarged values in many cases represent increase in price as well as increase in quantity of goods imported. This should be borne in mind in any use of the figures for comparative purposes. A large increase may be noted in the price of rice, which rose from yen 12.07 per koku in 1909 to yen 16.85 in 1912. The enlarged figures in the case of wheat are mainly accounted for by the increase of milling, and rates of freight must also be taken into consideration as affecting volume of imports. While money values may be accepted as an approximate guide for comparative purposes, the fact of their being approximate only must always be remembered.

The following table shows exports to Japan for the years 1911, 1912 and 1913:—

PRINCIPAL ARTICLES EXPORTED FROM CANADA TO JAPAN (YEARS ENDED MARCH 31).

Articles.	1911		1912		1913	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Breadstuffs:—		\$		\$		\$
Wheat.....Bush.	8	4	12,364	10,293	138,493	205,711
Wheat-flour.....Bbls.	3,595	13,521	6,275	24,391	14,082	57,237
Coal.....Tons.	1,890	8,827	16,801	58,779	15,765	54,976
Cotton and mfrs. of drugs, dyes, chemicals &c.....		5,973		9,795		3,970
Fish:—		7,094		13,070		12,471
Herrings, pickled.....Bbls.	47,072	110,411	49,083	145,436	100,887	246,743
Salmon, canned.....Lbs.	137,410	13,215	8,500	1,200	4,900	714
" pink....."					7,506,137	111,446
" pickled.....Bbls.	16,493	47,631	4,847	28,005		
Sea fish, other, pickled....."	20,808	56,822				
Other fish.....		7,416		18,396		2,416
Metals, minerals, &c.						
Aluminum in bars, &c.....Cwt.					4,613	50,631
Machinery:—						
Sewing machines.....No.	12,892	144,564	7,505	73,766	15,676	173,007
Other machinery.....		286		750		2,543
Lead, pig.....Lbs.	2,376,885	74,840				
Steel, mfrs. of.....		10,468		7,551		9,486
Other metals, &c.....		10,230		15,934		3,028
Milk and cream condensed.....Lbs.	362,268	33,389	960	80		
Wood:—						
Laths, palings and pickets.....M.	504	10,600				
Planks and boards.....M. ft.	1,424	30,477	3,802	60,658	4,371	83,558
Wood pulp.....Cwt.	808	1,560			56,147	99,898
Other wood.....		405		484		446
All other articles.....		32,248		18,926		22,317
Total exports.....		619,989		487,538		1,139,598

It will be seen that although there are indications of improvement, the figures are small. The exports in 1911 are affected by entries for pickled fish, \$56,822, pig lead, \$74,840, and laths, \$10,600, which do not appear in subsequent years. The percentage of increase in 1913 is satisfactory, being slightly over 100 per cent above the average for 1911, 1912. The principal item is that of fish, \$357,903, and the next in importance is wheat, \$205,711. In this case the upward tendency is very marked.

Japan is a timber country and imports very little lumber. The immediate prospect for enlarged future export is found in wheat and flour, more particularly the

TRADE AND COMMERCE

former, and the imports of these commodities taken from Japanese sources for 1910, 1911, 1912, together with country of origin, are as below.

IMPORTS OF WHEAT AND FLOUR INTO JAPAN (YEARS ENDED DECEMBER 31).

NOTE.—Picul = 133.3 lbs. Yen = 49.8 cents.

	1910.		1911.		1912.	
	Quantity Piculs.	Value Yen.	Quantity Piculs.	Value Yen.	Quantity Piculs.	Value Yen.
<i>Wheat.</i>						
From Australia	66,741	431,830	50,087	312,257	5,263	23,663
British America	-	-	1	2	6,161	26,263
China	318,630	1,217,231	17,684	67,737	18,423	65,803
Corea	34,482	125,704	-	-	-	-
United States	353,492	1,438,549	840,729	3,448,261	906,068	4,277,630
Russia	15,847	64,924	-	-	-	-
British India	1	5	123	572	3,372	16,566
Other Countries	-	-	-	-	1	5
Total.	818,203	3,338,243	908,624	3,728,829	1,024,288	4,409,938
<i>Flour.</i>						
From Australia	6,085	37,272	5,904	33,222	1,909	11,526
British America	13,804	74,750	7,139	41,168	18,189	107,857
China	51	261	200	720	5,347	34,725
United States	277,089	1,614,307	280,934	1,625,823	254,784	1,566,419
Other countries	1,877	12,642	206	2,083	241	1,613
Total.	298,906	1,739,238	294,443	1,702,961	280,470	1,722,140

A discrepancy appears between Canadian and Japanese figures as regards wheat in 1911, and this may either be due to a small shipment via Seattle, or to the fact that the Japanese fiscal year terminates on December 31 and the Canadian year terminates on March 31. The figures are, therefore, not exactly comparable as the dates overlap.

UNITED STATES LEADING COMPETITOR IN WHEAT.

By far the largest proportion of the wheat trade is enjoyed by the United States, but, for reasons given in the report on China, there is ground for hope that Canada may be able to share this business in the future. The same remark applies to flour, and the following table gives the exports of wheat, flour and wood from the United States to Japan. It will be noticed in the case of the United States that the fiscal year ends June 30; a discrepancy between these figures and those given by Japan (calendar year) are thereby explained.

SUPPLEMENT TO WEEKLY REPORT

41

EXPORTS OF WHEAT, WHEAT-FLOUR AND WOOD (UNITED STATES PRODUCE) FROM UNITED STATES TO JAPAN (YEARS ENDED JUNE 30).

Classification.	1910.		1911.		1912.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Wheat.....	Bush.	8				
Wheat-Hour.....	Bbls.	127,498	117,611	2,048,382	1,744,469	707,982
Wood:-		217,758	917,916	458,407	1,745,596	716,347
Logs and other round timber.....		15,101		20,515		10,504
Timber:-						
Hewn.....						620
Sawn.....						
Lumber:-						
Planks, boards and deals.....	M ft.	11,962	161,364	10,238	132,647	14,533
Joints and scantling.....	M ft.	261	2,608	2	177	
Shingles.....	M.	1	2	75		
Shooks.....	Box.		20			
Other lumber.....		2,499		10,067		3,252

NO FACILITIES FOR HANDLING IN BULK.

A point of considerable interest in regard to the transport of wheat to Japan is found in the fact that it all goes in bags, and there appears to be no facility for handling wheat in bulk by the use of elevators, such as are universal in Canada and are now being built in considerable numbers in Russia, and which exist in limited numbers but of large size in Great Britain. The economy possible in handling wheat in bulk is an important item, although in cases where the trade is limited the question of ship stowage has to be considered. In view of the readiness of the Japanese to adopt all methods of decreasing cost of foodstuff it seems likely that both importers and ship owners will take steps to avail themselves of methods presenting the highest measure of economy.

COST OF TRANSPORTATION.

It will be seen from reference to the subject of competition in flour to China in the report on the trade of that country that an important factor in the general problem is found in the cost of transportation from the point of loading on cars or ship to the port, which in Japan is in no case far removed from the principal flour mills. Competition in the supply of wheat to Japan may be expected from Australia, India and Manchuria, probably as named in order of importance. In view of this fact it is convenient to set out the area from which Canadian wheat is likely to be drawn, and this depends in some degree upon the relative distances and consequent freight rates east and west from a given Canadian point. The following table gives the mileage from selected points to Vancouver and to Fort William, also the through rates for export and the rates to Vancouver:-

TRADE AND COMMERCE

CANADIAN FREIGHT RATES ON GRAIN.

Freight rates on grain (bagged) and flour, in carloads, to Vancouver, for export; also through rates in connection with Conference Trans-Pacific SS. Lines (1) to Yokohama, Kobe, Nagasaki, and Hong Kong, and (2) to Shanghai.

Miles to Vancouver.	From	To Vancouver.	Through. (1)	Through. (2)	Miles to Fort William.
647	Calgary.....	Cents.	Cents.	Cents.	
842	Edmonton.....	19½	35	37½	1,257
774	Lethbridge.....	23	35	37½	1,258
827	Medicine Hat.....	22	35	37½	1,178
974	Swift Current.....	23	35	37½	1,076
1,085	Moosejaw.....	26	x 40	x 42½	929
1,126	Regina.....	28½	x 40	x 42½	819
		29			777

Rates are in cents per 100 lbs. Rates to Vancouver include free wharfage at C.P.R. docks, but are exclusive of handling. * On flour only.

It will be noted that the place nearest to the equi-distant point between Vancouver and Fort William is Swift Current, and upon this basis places west of that town may be expected to desire shipment by Pacific ice free ports rather than via Fort William. Other considerations, however, enter into the problem, such as the increased cost at present due to grades in the mountains on the westerly journey, and the long railway journey eastward in the winter months. The table quoted does not show the grain rates to Fort William, and these are as follows:—

From	Calgary	24 cts. per 100 lbs.
"	Edmonton	25 "
"	Lethbridge	23 "
"	Medicine Hat	22 "
"	St. Ft Current	20 "
"	Moosejaw	18 "
"	Regina	18 "

CONFERENCE RATES FOR OCEAN TRANSPORT.

Although these rates to Fort William are published as proportionate rates, in other words division of through rates to Eastern markets, and are so regarded, they apply equally to the relatively small fraction that may be delivered at Fort William for local use. The vexed question of conference rates for ocean transport is dealt with by Joint export tariff No. 24 A, issued October 15, 1913, and by Supplement No. 5 to No. W 3030, dated February 26, 1914.

On the first named a note appears:

"Through bills of lading will be issued via Vancouver and Canadian Pacific Royal Mail Steamship Company, Royal Mail Steam Packet Company, and Hamburg American Line, with the exception of Nagasaki, Japan," and note 7 runs in part as follows:

"Bills of lading must show proportions of rates to Vancouver, B.C." A footnote says in part:

"Rates include transhipping charges and storage in lighters or on shore at port of transhipment, for a period not exceeding ten days."

No. W 3030 provides a special export tariff applying to commodities for export via Vancouver, and the rates for wheat, barley and flour per 100 pounds in carloads are given in table as above. It will be noted that no extra charge for handling at Vancouver is provided in No. 3030, but the proportionate tariff on grain, No. 3051, gives the rail proportionate rates only, and the following note appears under the heading of:

"Outward handling, 12½ cents per ton of 2,000 pounds will be charged for handling grain or grain products from elevator, cars or dock warehouses to ship's side."

JAPANESE FIRM IN VANCOUVER.

Having regard to the very large business done by the great Japanese firm of merchants, Messrs. Mitsui and Company, a conference occurred in Tokio with a view to the establishment of an office for that company in Vancouver, designed to enlarge the trade between Canada and Japan. Following the conference referred to, Mr. E. Senda, the Portland manager on the Pacific coast for that company, visited Vancouver in October, 1913, and the Vancouver press referring to his visit stated that his firm had seven vessels under charter bringing cargoes regularly to the Pacific coast and carrying back largely foodstuffs and lumber. The regular sailings of the Mitsui fleet have been centred at Portland because of that city being at present the seat of the Pacific Northwest grain business. The ships bring to the Pacific coast hardwood logs for American mills and to a smaller extent manufactured goods. Mr. Senda consulted with Mr. W. A. Blair, Secretary of the Vancouver Board of Trade, regarding measures which might be taken toward a revision of the through rates on wheat and flour to Japan and China from Canada, to permit of a larger amount of export business than now obtains, and is reported as saying:—

"Vancouver could do a very large business with the Orient if freight rates were adjusted. At present it costs \$7 per short ton of 2,000 pounds to ship wheat from Alberta points to Japan. The rail haul gives \$3.50 and the steamer proportion is \$3.50 when it is carried by vessels owned by conference lines, but when the wheat is consigned via steamers owned by any other companies the rail haul to Vancouver is \$4.50, and this extra dollar a ton on grain makes all the difference."

"If the people of Vancouver and the farmers of Alberta understood the extent of the market that is available in the Orient they would use all the influence they possess to have the rail rate to Vancouver equalized."

"Japan produces some twenty million bushels of wheat but has to import from four to five million bushels a year. Most of the imported wheat has come from the Pacific Northwest States. Their wheat is soft wheat and the harder Canadian wheat would be much preferred, but in the United States the railroads have discontinued quoting a through rate, the rates now being the rail rate plus the steamer rate and shipments carried on railway-owned vessels get no preference."

"Exports of wheat to Japan increased from 20,000 bushels in 1912 to 750,000 in 1913, and export of fish had increased so that 4,000 tons are being exported this year to the Orient."

"Beyond doubt, Canadian wheat is going to be the greatest factor in Japanese trade. The whole population of my own country and 400,000,000 in China look to you for food. The world centre of commerce moves irresistibly toward the Pacific for that movement has always been Westward."

He predicted that Canadian trade would grow to an unlimited extent while that of the United States would decline, because in the American Northwest wheat production was not keeping pace with the increase in population.

AUSTRALIAN COMPETITION.

In view of the fact that shipments have been made from Australia of flour to Hong Kong for China and of wheat to Japan, and it has been alleged that Australia is likely to become in those countries a serious competitor with Canada, it may be convenient to state the rates of freight at present ruling between Australian ports and Chinese and Japanese ports. The rate on flour to Hong Kong is \$4.26 per ton

of 2,000 pounds, and on wheat to Japanese ports, \$3.25 per ton. Conference rates from American Pacific ports to Hong Kong and Japan were \$3.50 per ton from March 15 to the middle of April, and after that date \$2.50 per ton. It must, however, be borne in mind that while the through rate is common to many western points the rates to Vancouver for ships other than those included in the conference are not subject to this condition, and range from 10½ cents per 100 pounds to 32 cents. An average of points from which wheat is carried must, therefore, be taken in order to reach comparative figures, and to that average 12½ cents must be added for handling charge at Vancouver. Mr. Sonda appears to have calculated this average in arriving at the rail rate of \$4.50, stated as the charge to non-Conference ships.

COMBINATIONS OF SHIP OWNERS.

From what has been stated it will be seen that the minimum through rate is confined to steamers the property of companies who are in agreement with the Canadian railway companies, and firms that do not enjoy the privileged position of what are known as conference lines pay a higher rate of freight, amounting to approximately \$1 per ton on wheat, and shippers are thereby prevented (so far as that preference will prevent them) from shipping by steamers not in the conference. How far the interests of the producer and the consumer are prejudicially affected by the system of what is known as conferences, and which is gradually being extended to cover an carriage all over the world, is a matter of endless controversy. In effect, it means a combination of ship owners to fix rates, and in some cases a combination of ship owners and railways for that purpose, and to provide that competition shall be discouraged by means of higher rates which apply only to ships not within the conference.

It is argued on behalf of the ship owner that this principle is not unfair to the shipper and that the rates charged by the conference are not higher than are necessary, in view of the cost of maintaining the desired service with fast modern steamers, having fixed dates of sailing and with uniform and constant rates of freight. It is constantly said that shipping companies do not earn adequate dividends and that the additional cost of the modern steamer must be borne by larger freight rates. Both statements are open to question and with regard to the latter, investigation would probably prove that the modern steamer carries freight at a low cost notwithstanding the increased cost of building the vessel. It is common knowledge that the luxurious passenger accommodation accounts for an important proportion of the money spent in building modern ships and this has no relation to freight rates. Only persons possessing a very intimate acquaintance with the subject are competent to pronounce an opinion of any value upon it, and it may be better to submit the facts in as concrete a form as possible rather than to deal with so highly controversial a matter in a report such as this. Only those whose business it is to deal with freight tables, or whose duty has brought them in contact with the subject can realize their extraordinary complication. The writer of this report does not feel free to express an opinion or do more than state the facts, as far as he has been able to master them.

Conclusion.

It is hoped that the special reports upon China and Japan, now concluded, may be considered as full of promise with regard to the magnitude of the coming trade on the Pacific. It must be remembered that a population of nearly 500,000,000 people in the Orient face the Western shores of Canada, and that signs are not wanting of a movement in this vast population which, for weal or woe, will profoundly affect the interests of the nations, Canada among them, perhaps in special degree because of her Pacific seaboard. That democratic influences will increase the purchasing power of both the Chinese and Japanese and will, thereby, create a great market for all kinds of commodities does not appear open to question and is an article of faith

among men resident in the East or engaged in Eastern commerce. How far or how quickly industrial activity will develop in the western provinces of Canada depends upon problems now in course of solution. That cost of production will increase in the Orient appears to be certain. Whether the labour costs in the Canadian West will render manufacture possible is not so clear. Ultimately it would seem that the West must either submit to the importation of a greatly increased volume of manufactured goods or to a condition which would render competition possible. There is no escape from the law of supply and demand, and growth of wealth and population must of necessity depend in British Columbia, as elsewhere, upon successful competition.

The emergence of Japan, her marvellously rapid transformation from a medieval and feudal into a modern state, equipped with all the material implements of western civilization, has raised, for the first time, the question whether the supremacy of the white races is as indisputable as public writers have hitherto imagined it to be, or in other words, whether the white races can rely upon the continuance of a vested monopoly in the civilization which they have built up during the course of so many labourious centuries. In the *Times* Japanese Edition, 1910, from which the above has been extracted, there appears a letter from Count Okuma, who says in part:—

Japan, during the last half century has been confronted with abrupt changes in almost all her social affairs and she is still undergoing change. In comparing old Japan as it existed to the middle of the nineteenth century and the new Japan of the present day, nobody can help marvelling at the suddenness of this change. The feudal system which had grown up during hundreds of years was abolished in a single day. The benefits of education are now extended to the whole nation; new trades have sprung up out of contact with the new civilization; new enterprises have been developed, and in this domain the changes have been almost revolutionary. What future changes will yet overtake us as we move forward to our national destiny? This is a subject which deserves and engages our deepest attention. That Anglo-Saxon civilization founded on justice and humanity should easily have influenced the life of Japan is something more than a mere chance coincidence. The expansion and development of new Japan has been achieved by absorbing western civilization. Japan has already opened wide her door to trade and commerce, and not only is she welcoming foreigners but she is ready to welcome also the civilization of Europe and America, and her settled policy is to accomplish her national destiny by assuming a

fair and impartial attitude toward her competitors. I am, as yet, only partially satisfied in my own mind with the present state of our progress, and I fully recognize how much is yet to be done and how great is still the need for us to quicken our exertions and direct them in the line of comparative studies. Moreover, as a sequel to early expansion prices have risen, and there are signs that our people may encounter grave difficulties in the cost of living. Sooner or later the nation may have to grapple with the social problems known as the "labour question," with which Europe and America are already so painfully familiar.

The closing lines of this communication from one of the leading authorities of Japan confirms the expression of opinion found on page 32 of this report, and is interesting from the Canadian point of view because it indicates a limitation of the power of Japanese competition and at the same time suggests a greatly enlarged consumption of Canadian commodities. Just as the growth of population in Canada will provide a market for Japanese commodities not produced in Canada, trade will be built up by Eastward cargoes of Canadian products. The same remark applies to China, more particularly in regard to flour and lumber, with the addition of the numberless commodities which follow the establishment of trade exchanges.

COMMERCIAL INTELLIGENCE SERVICE.

The Department of Trade and Commerce invites correspondence from Canadian exporters or importers upon all trade matters. Canadian Trade Commissioners and Commercial Agents should be kept supplied with catalogues, price lists, discount rates, &c., and the names and addresses of trade representatives by Canadian exporters. Catalogues should state whether prices are at factory point, f.o.b. at port of shipment, or, which is preferable, c.i.f. at foreign port.

CANADIAN TRADE COMMISSIONERS.

Argentine Republic.

H. R. Poussette, 278 Balcarce, Buenos Aires
Cable Address, Canadian.

Australasia.

D. H. Ross, Stock Exchange Building, Melbourne, Cable address, Cancomac.

British West Indies.

E. H. S. Flood, Bridgetown, Barbados, agent also for the Bermudas and British Guiana. Cable address, Canadian.

China.

J. W. Ross, 6 Kiukiang Road, Shanghai.
Cable address, Cancomac.

Cuba.

Acting Trade Commissioner, Lonja del Comercio, Apartado 1390, Havana. Cable address, Centracom.

France.

Philippe Roy, Commissioner General, 17 and 19 Boulevard des Capucines, Paris. Cable address, Stadacona.

Germany.

C. F. Just, Kaufmannshaus, Room 57, Bleichenbruecke, No. 10, Hamburg. Cable address, Centracom.

Holland.

J. T. Lithgow, Zuidblaak, 26, Rotterdam.
Cable address, Watermill.

CANADIAN COMMERCIAL AGENTS.

British West Indies.

Edgar Tripp, Port of Spain, Trinidad.
Cable Address, Canadian.
R. H. Curry, Nassau, Bahamas.

Colombia.

A. E. Beckwith, c/o Tracey Hmos, Medellin, Colombia. Cables to Marmato, Colombia.
Cable address, Canadian.

C. E. Sontum, Grubbeged No. 4, Christiana, Norway. Cable address, Sontum.

South Africa.

D. M. McKibbin, Parker, Wood & Co. Buildings, P.O. Box 559, Johannesburg.
E. J. Wilkinson, Durban, 41 St Andrew's Buildings, Durban, Natal.

CANADIAN HIGH COMMISSIONER'S OFFICE.

United Kingdom.

W. L. Griffith, Secretary, 17 Victoria Street, London, S.W., England.

ENLARGED CANADIAN TRADE INTELLIGENCE.

Under the arrangement made by the Minister of Trade and Commerce with Sir Edward Grey in July, 1912, the Department is able to present the following list of the more important British Consulates whose officers have been instructed by the Foreign Office to answer inquiries from and give information to Canadians who wish to consult them in reference to trade matters.

(Abbreviations.—C.G., Consul General; C., Consul; V.C., Vice-Consul.)

Austria-Hungary:	Panama:
Trieste, British Consul General.	Colon, British Vice-Consul. Panama, British Consul General.
Belgium:	Peru:
Antwerp, British Consul General.	Lima, British Vice-Consul.
Brazil:	Portugal:
Bahia, British Consul. Rio de Janeiro, British Consul General.	Lisbon, British Consul.
Chile:	Russia:
Valparaiso, British Consul General.	Moscow, British Consul. St. Petersburg, British Consul. Vladivostock, British Consul.
China:	Spain:
Harbin, British Consul.	Barcelona, British Consul General. Madrid, British Consul.
Colombia:	Sweden:
Bogota, British Consul General.	Stockholm, British Consul.
Ecuador:	Switzerland:
Quito, British Consul General.	Geneva, British Consul.
Egypt:	Turkey:
Alexandria, British Consul General.	Constantinople, British Consul General.
Italy:	Turkey-in-Asia:
Genoa, British Consul General. Milan, British Consul.	Smyrna, British Consul General.
Mexico:	Uruguay:
Mexico, British Consul General.	Monte Video, British Vice-Consul.
Netherlands:	Venezuela:
Amsterdam, British Consul.	Caracas, British Vice-Consul.

PUBLICATIONS OF THE DEPARTMENT OF TRADE AND COMMERCE.**Annual Report.****PART I.—CANADIAN TRADE:—**

Imports into and Exports from Canada.
(Itemized and General Statements.)

PART II.—CANADIAN TRADE:—

1. With France.
2. With Germany.
3. With United Kingdom.
4. With United States.

PART III.—CANADIAN TRADE:—

With Foreign Countries.
(Except France, Germany, United Kingdom and United States.)

PART IV.—MISCELLANEOUS INFORMATION:—

Bounties.
Lumber and Staple Products.
Revenue and Expenditure of Department of Trade and Commerce
Statistical Record of the Progress of Canada.
Tonnage Table.
Trade Commissioner Service.

PART V.—GRAIN STATISTICS.**PART VI.—SUBSIDIZED STEAMSHIP SERVICE.****PART VII.—TRADE OF FOREIGN COUNTRIES AND TREATIES AND CONVENTIONS.****Monthly Reports.**

Census and Statistics.
Trade and Commerce.

Weekly Report.

(Circulated within Canada only.)

Containing Reports of Trade Commissioners and General Trade
Information.

Miscellaneous Publications.

Canada Grain Act.
Canada Year Book.
Census Returns.
Commercial Arrangements between Canada and Foreign Countries.
Export Directory.
Inspection and Sale Act.
List of Licensed Elevators.